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**Vol. II**

**TRANSCRIPT OF RECORD**

(Pages 473 to 1300)

(TRANSCRIPT OF TESTIMONY)

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SUPREME COURT, U.S.

**Supreme Court of the United States**

**OCTOBER TERM, 1954**

**No. 3**

**UNITED STATES OF AMERICA, APPELLANT,**

**vs.**

**E. I. DU PONT DE NEMOURS AND COMPANY, ET AL.**

**APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS**

**FILED JUNE 14, 1955**

**PROBABLE JURISDICTION NOTED OCTOBER 10, 1955**



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[fols. 596-601] IN UNITED STATES DISTRICT COURT,  
NORTHERN DISTRICT OF ILLINOIS

Mr. Harsha: I next offer in evidence Government's Exhibit No. 67.

[fols. 602-609] I also offer Government's Exhibit No. 52. I am not reading it. It is headed "Irene du Pont, Summary of Acquisitions and Dispositions of Capital Stock of Christiana Securities Company."

I call the Court's attention to the last figure in the left-hand column under the common shares, that as of 10/1/51 he held, Irene du Pont held 7,301 shares.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 52.)

Mr. Harlan: And will you stipulate that in the next to last item, that is Sales through brokers, 1933 to 1939, 1,989 common shares, those sales were to outsiders, not members of the family?

Mr. Harsha: I will accept that.

[fols. 610-611] I call your Honor's attention to paragraph 37 of the complaint and the answer of the du Pont Company, which admits that as of the time when this complaint was filed, its capital stock was held by approximately 100,000 shareholders, including 82,000 holders of common stock.

In support of the Government's allegation in this paragraph, I offer in evidence Government's Exhibit No. 68.

[fols. 612-613] I also offer at this time, in connection with this paragraph, your Honor, Government's Exhibit 103.

[fols. 614-615] Mr. Harsha: I will offer next, your Honor, Government's Exhibit No. 104.

[fols. 616-619] Mr. Harsha: I next offer, your Honor, Government's Exhibit 105, which is related to this.

[fols. 620-627] Mr. Harsha: I believe, your Honor, prior to the luncheon adjournment that I called the Court's attention to the admission of the du Pont Company with respect to Paragraph 38, and I would now like to direct the Court's attention to Paragraph 39 of the complaint, and in respect thereto I should like to read the admission of the du Pont Company, part of which reads as follows:

"\* \* \* that it admits and avers that, anticipating the end of World War I and the cessation of orders for

powder and explosives, it determined to find sources for the investment of its excess capital and for the utilization of such capital for expansion into fields other than gun powder and explosives."

And in further support of the averments in that paragraph of the complaint, I should like to offer Exhibit No. 106.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 106.)

[fols. 628-639] Mr. Harsha: The next exhibit the Government offers is Exhibit 107..

Mr. Neitzert: Exhibit 107, your Honor, is an excerpt. Do you intend to offer only an excerpt here?

Mr. Harsha: Yes.

Mr. Neitzert: Under paragraph 10-A of the pre-trial order, we ask that the entire exhibit be offered.

Mr. Harsha: Very well.

Mr. Houchins: We will read, however, your Honor, only those portions which were marked on your copy and on defense counsels' copy as being excerpts, which are the portions we originally intended to offer.

Of course, the entire document is now being offered.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 107.)

[fol. 640] The Government next offers Exhibit No. 109 which we do not proposed to read at this time, and the Government next offers Exhibit No. 110 on the basis of excerpts marked.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 109.)

Mr. Cox: May it please the Court, we object to the admission of the excerpts of this document, and ask that the entire document be admitted under the pretrial procedure.

The Court: It may be received in its entirety.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 110.)



We next offer, your Honor, Exhibit No. 111 which has been excerpted, and we offer only the excerpts.

Mr. Cox: May it please the Court, we object to the admission of the excerpts on the same basis as the objections [fol. 641] I previously made, and ask that the entire document be admitted.

The Court: The entire document may be received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 111.)

. . . . .

I next wish to offer Exhibit No. 112 which has been excerpted, and we are offering only the excerpts.

Mr. Cox: We object on the same basis.

The Court: The entire document is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 112.)

. . . . .

[fols. 642-644] The Government next offers Exhibit No. 113 which has been excerpted, and we have offered only those portions that are excerpted.

Mr. Cox: We object, your Honor, on the same basis.

The Court: The entire document is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 113.)

[fols. 645-646] Your Honor, I next wish to offer a document which is not found in Volume 1. It is one of those which was marked quite recently. It is numbered 1244, which is found in Volume 8.

[fols. 647-648] In further support of the allegations of this paragraph of the complaint, the Government offers Exhibit No. 114, which we do not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 114.)

Mr. Harlan: You recognize, of course, that the balance of that paragraph 40 is denied.

Mr. Harsha: We next offer Exhibit No. 115, which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 115.)

The Government next offers Exhibit No. 116, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 116.)

The Government next offers document No. 117, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 117.)

The Government next offers Exhibit No. 118, of which it wishes to read a portion.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 118.)

[fol. 649] Mr. Harsha: The Government next offers Exhibit 119, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 119.)

The Government next offers Exhibit 120, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 120.)

The Government now offers Exhibit 121, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 121.)

The Government next offers Exhibit 122, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 122.)

The Government next offers Exhibit 123, which it does not propose to read.

(Said document, so offered and received in evidence, was marked Government Exhibit No. 123.)



[fols. 650-665] In further support of the allegations contained in paragraph 41 of this complaint, the Government offers Exhibit No. 124.

[fol. 666] Mr. Harsha: The Government next offers Exhibit No. 125 which is an excerpt from the annual report of the du Pont Company for the year 1918.

The excerpt reads as follows:

(Said Government's Exhibit No. 125 was thereupon read to the Court by Mr. Harsha.)

[fols. 667-668] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 125.)

Mr. Harsha: Next the Government offers Exhibit 126, which it does not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 126.)

Mr. Harsha: The Government next offers Exhibit No. 129, which is a letter dated January 23, 1918, addressed to W. C. Durant, Esquire, and signed by Mr. Raskob.

[fols. 669-670] Mr. Harsha: The Government next offers Exhibit No. 130 which it does not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 130.)

Mr. Harsha: Next the Government offers Exhibit No. 131, which the Government does not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 131.)

Next, the Government offers Exhibit 132, which it does not propose to read at this time.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 132.)

Next, the Government offers Exhibit 133, and this we have marked for excerpting, your Honor.

Mr. Harlan: If your Honor please, we would like to have the entire document in.

The Court: The entire document is received in evidence.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 133.)

[fol. 671] Mr. Harsha: The Government next offers Exhibit 134, which it does not propose to read at this time.

It is an unsigned document, but it is our understanding that this was prepared by Mr. John J. Raskob.

Mr. Cox: That is correct.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 134.)

Mr. Harsha: The Government now offers Exhibit No. 135, which it does not propose to read at this time.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 135.)

[fol. 672] Mr. Harsha: The Government offers Exhibit No. 137. The Government proposes to read only a portion appearing at page 12 of that document.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 137.)

[fol. 673] Mr. Harsha: Your Honor, my attention has been called to the fact that in respect to Exhibit 134, which was addressed to the Finance Committee from the Chairman, John J. Raskob, that we should make it clear, and it is accurate, that this is the Finance Committee of General Motors which is here referred to, not of the du Pont Company.

We next offer Exhibit 138. This is a meeting of the [fols. 674-678] Finance Committee of General Motors Corporation, September 25, 1919.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 138.)

Mr. Harsha: The Government next offers Exhibit No. 139, which is a report of the General Motors Corporation for the fiscal year ended December 31, 1919.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 139.)



In connection with paragraph 42 of the complaint, we are offering Exhibit No. 128. This is addressed to the Finance Committee from the Treasurer, signed by John J. Raskob, dated March 8, 1918.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 128.)

[fol. 679] Further in connection with the allegations of this paragraph, the Government offers Exhibit No. 153.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 153.)

\* \* \* \* \*

Next, the Government offers Government Exhibit No. 154.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 154.)

\* \* \* \* \*

[fol. 680] The Government next offers Exhibit No. 155 which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 155.)

Mr. Harsha: Next the Government offers Exhibit No. 156. This is an advice of action by M. D. Fisher, Secretary, Finance Committee, to Mr. J. J. Raskob, Vice President, on the letterhead of the du Pont Company, dated January 18th, 1921. Subject, Proposed plan to purchase Mr. W. C. Durant's interest in du Pont Securities Company—Loan to him of \$500,000.

\* \* \* \* \*

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 156.)

[fols. 681-682] Mr. Harsha: The Government next offers Exhibit No. 157 which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 157.)

Mr. Harsha: The Government next offers Exhibit No. 158 which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 158.)

Mr. Harsha: The Government next offers Exhibit No. 161 which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 161.)

Mr. Harsha: We next offer Government's Exhibit No. 162 which is a letter by Irene du Pont to Mr. John J. Raskob dated April 8th, 1921.

[fol. 683] The Government offers Exhibit 140 which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 140.)

Mr. Harsha: We now offer Government's Exhibit No. 141 which we do not propose to read at this point.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 141.)

Mr. Harsha: Next we offer Government's Exhibit No. 142, which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 142.)

Mr. Harsha: We next offer Government's Exhibit No. 143, which is a letter addressed to John J. Raskob, dated May 21, 1920, written by Irene du Pont, stating:

[fols. 684-685] Mr. Harsha: The Government next offers Government Exhibit No. 144, dated July 16th, 1920, which I believe was written by Pierre S. du Pont. It is printed on the original, I believe.

Mr. Harlan: That is right.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 144.)

Mr. Harsha: We do not propose to read it at this time.

We next offer Government's Exhibit No. 145 which we do not propose to read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 145.)

[fols. 686-687] Mr. Harsha: Just before adjournment last evening the Government was offering documents in connection with Paragraph 45 of the complaint, and the next exhibit which the Government wishes to offer is No. 166, dated August 17, 1921. We are offering the entire document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 166.)

[fol. 688] I should like to offer in evidence a document, No. 167, which is a communication from John J. Raskob to the Finance Committee dated January 30th, 1922, and I believe this is the Finance Committee, unless I am incorrect, your Honor, of the du Pont American Industries, Inc., a wholly owned subsidiary of the du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 167.)

[fol. 689] I should also like to offer, your Honor, document marked Exhibit No. 168, which is directed to the Finance Committee from the Treasurer, Mr. W. S. Carpenter, Jr., dated February 6, 1922, which is merely reporting a resolution authorizing the exchange of stock in the liquidation of the Chevrolet Motor Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 168.)

Next I should like to offer document marked 181. This is a significant document, your Honor, in our judgment, because it is written to Mr. Irene du Pont, under date of January 8, 1921, by Mr. John J. Raskob.

[fols. 690-692] The Government next offers Exhibit 235.

[fol. 693] Mr. Harsha: In connection with paragraph 48, your Honor, of the complaint in which it is alleged that in the du Pont Company, the Finance and the Executive Com-

mittees of the Board of Directors are the bodies which control the basic policies of the company, and in which it is likewise alleged that in defendant General Motors the Finance Committee, otherwise known as the Policy Committee, later as the Financial Policy Committee, and the Executive Committee, are the bodies which control the basic policies of that company, the Government wishes to tender in evidence Exhibit 178, which is a document dated December 29, 1920, and addressed to the officers, directors and heads of departments, General Motors Corporation.

It carries the signature of Pierre S. du Pont, President.

This outlines the functions of the Finance Committee and [fol. 694] also the Policy Committee, Staff Committee—rather, I should say, Committee on Operations.

I do not wish to read the entire document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 178.)

[fol. 695] Mr. Harsha: Next, the Government offers in evidence Exhibit 194, which is a letter dated April 6, 1937, addressed to Mr. Alfred P. Sloan, Jr., President, General Motors Corporation, written by Lamont du Pont, Chairman of the Board.

[fols. 696-697] Next, the Government offers Government's Exhibit 1238, your Honor, which is bound in volume 8.

Next, the Government offers Government's Exhibit 200. That will be found, I think, in volume 2, your Honor.

[fol. 698] The Government also should like to tender Government's Exhibit 180 which is addressed to the Finance Committee of the du Pont Company.

Mr. Harlan: Are you putting the entire document in?

Mr. Harsha: We are only offering excerpts unless you have objection.

Mr. Harlan: We are objecting to the excerpt.

The Court: It is received in its entirety.

(Said document, so offered and received in evidence, was marked Government's Exhibit 180.)

[fol. 699] Next, the Government offers Exhibit 188. This is a letter addressed to Mr. Alfred P. Sloan, President of General Motors, dated December 24, 1928, signed by Lamot du Pont, President.

Next, the Government offers Government's Exhibit 201, which is a letter dated April 8, 1942, to Mr. Alfred P. Sloan, Jr., General Motors Corporation, signed by W. S. Carpenter, Jr., which discusses the various proposed changes in the organization, the top organization of General Motors. I do not intend to read all that document at this time, your Honor.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 201.)

Mr. Harsha: The Government next offers Government's Exhibit 202 which is a letter dated April 10, 1942, addressed to Mr. Alfred P. Sloan, signed by Lamot du Pont. [fols. 702-706] The Government next offers Exhibit No. 203.

Mr. Hurd: If the Court please, Exhibit 203 is marked "Excerpt." If that is the Government's intention, we would like to have the entire document received.

The Court: The entire document is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 203.)

[fols. 707-709] Mr. Harsha: I should now like to re-offer, your Honor, Government Exhibit 1238 in Volume 8. We have provided counsel for the defense with copies.

The Court: That is No. 1238?

Mr. Harsha: 1238, your Honor.

The Court: All right.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1238.)

[fols. 710-711] In support of the allegation, the Government offers Exhibit 182, which is an extract from minutes of Finance Committee meeting No. 271, dated April 24, 1923, of the du Pont Company.

It is entitled, "Presidency of General Motors Corporation."



(Said document, so offered and received in evidence, was marked Government's Exhibit No. 182.)

\* \* \* \* \*

Mr. Harsha: The Government next offers Exhibit No. 183.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 183.)

[fol. 712] Mr. Harsha: The Government next offers Exhibit 184.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 184.)

\* \* \* \* \*

[fol. 713] Mr. Harsha: Next the Government offers Exhibit 185.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 185.)

Mr. Harsha: This is addressed to Mr. Pierre S. du Pont, written by John J. Raskob, copies to Irene du Pont and Lamont du Pont, dated May 15, 1923.

(Said Government's Exhibit No. 185 was thereupon read to the Court.)

The Government next offers Exhibit No. 186 which is dated May 22nd, 1923, which your Honor will recall is a matter of seven days after this last document from the du Pont Company, addressed to Mr. Irene du Pont from M. D. Fisher, Assistant Secretary, entitled "Election of Mr. Alfred P. Sloan, Jr., as a member of the Board of Directors of E. I. du Pont de Nemours and Company."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 186.)

(Said Government's Exhibit No. 186 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next the Government offers Exhibit No. 187 which your Honor will note consists of a table of the positions held by Mr. Alfred P. Sloan, Jr., in the General Motors

Corporation from 1918 to date. I do not propose to read all of it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 187.)

[fol. 714] Mr. Harsha: The Government next offers Exhibit No. 189 which is a letter dated February 13th, 1929, addressed to Mr. Lamot du Pont, signed by Irene du Pont, and states as follows:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 189.)

(Said Government's Exhibit No. 189 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 190, which is a letter dated April 22nd, 1930, to Mr. A. P. Sloan, Jr., President, General Motors Corporation, from Lamot du Pont, Chairman of the Board and states:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 190.)

(Said Government's Exhibit No. 190 was thereupon read to the Court by Mr. Harsha.)

Mr. Hurd: If the Court please, may the record show that this letter was written by Mr. Lamot du Pont as Chairman of the Board of General Motors Corporation.

Mr. Harsha: I thought I made that clear in my description. I think it should so state.

The Court: Is it a fact?

Mr. Harsha: It is a fact.

Next, the Government offers Exhibit No. 195, which is dated April 6th, 1937, addressed to Mr. F. D. Brown, Vice President, General Motors Corporation, from Lamot du Pont, Chairman of the Board.

[fol. 715] I presume counsel will wish to have the record show that that means Chairman of the Board of General Motors.

Mr. Hurd: Yes.

Mr. Harsha: It commences: "Dear Don:"

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 195.)

(Said Government's Exhibit No. 195 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 196 which is dated April 23, 1937, addressed to Mr. W. S. Carpenter, Jr., E. I. du Pont de Nemours & Co., London, England, and signed by Lamot du Pont, President, which I presume means of the du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No 196.)

(Said Government's Exhibit No. 196 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 197, which is a telegram dated May 3, 1937, signed by Carpenter, which reads:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 197.)

(Said Government's Exhibit No. 197 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 198, which is a letter dated September 12, 1940, addressed to [fols. 716-718] Alfred P. Sloan, Jr., General Motors Corporation, and signed by W. S. Carpenter, Jr., President du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit 198.)

(Said Government's Exhibit No. 198 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Government's Exhibit No. 205, which is a letter dated May 29, 1943, addressed to Mr. Lamot du Pont, Chairman of the Board, E. I. du Pont de Nemours & Company, Wilmington, Delaware, from Alfred Sloan, Chairman of the Board of General Motors, on General Motors Corporation stationery.

[fol. 719] The Government next offers Exhibit No. 207.

Mr. Harlan: Would you like to have us translate that note on the side?

Mr. Harsha: I would. I could not make it out.

Mr. Harlan: I would guess at it, subject to correction: "Putting him on the Policy Committee is not the way," namely, to ease up.

Mr. Harsha: The Government offers Exhibit No. 207, which is a letter addressed to Walter S. Carpenter, Jr., President, du Pont. It is dated September 23, 1943, by Mr. Alfred P. Sloan, Jr., copies to Messrs. Lammot du Pont and Donaldson Brown.

[fols. 720-721] Mr. Houchins: Government next offers Government Trial Exhibit No. 208, which is a letter from Alfred P. Sloan, Chairman of General Motors Corporation, to Mr. Walter S. Carpenter, Jr., President of du Pont Company, Wilmington, Delaware.

Mr. Hurd: This is marked for excerpt. We would like to have the entire document offered.

The Court: The entire document is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 208.)

[fol. 722] Mr. Houchins: The Government next offers Government Trial Exhibit 209, which consists of a letter to Alfred P. Sloan, Jr., Chairman, General Motors Corporation, from Lammot du Pont—we presume.

Is that correct?

Mr. Hurd: Lammot being Chairman of the du Pont Company at that time.

Mr. Houchins: Chairman of the Board of General Motors, is that correct?

Mr. Hurd: No, Chairman of the du Pont Company. Mr. Sloan was Chairman of General Motors.

Mr. Houchins: Yes.

The letter is dated May 22, 1944. That is a letter which continues the discussion of certain personnel as to the Board of Directors and committees on General Motors and which the Government does not propose to read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 209.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 210. This is a letter on the letterhead of

[fol. 723] the du Pont Company. It is a memorandum, actually, addressed to Mr. Lammot du Pont, and it is from the President of the du Pont Company, which I presume is W. S. Carpenter, Jr.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 210.)

\* \* \* \* \*

Mr. Harsha: The Government next offers Exhibit No. 1236, your Honor, which is in Volume 8. I might say we will take, immediately after that, Exhibit No. 1237 in the same volume.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1236.)

\* \* \* \* \*

[fols. 724-725] I next offer Government's Exhibit 1237, which is a reply to the previous exhibit; written by Alfred P. Sloan, Jr., to Mr. Lammot du Pont, dated December 29, 1944.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1237.)

\* \* \* \* \*

[fols. 726-727] The Government now offers Exhibit No. 217, your Honor.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 217.)

\* \* \* \* \*

The Government next offers Government Trial Exhibit No. 220.

[fol. 728] The Government next offers Government Trial Exhibit No. 221 consisting of a letter which is obviously a reply to the previous letter, addressed to Mr. Alfred P. Sloan, Jr., and signed by Lammot du Pont and dated December 13th, 1945.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 221.)



(Said Government's Exhibit No. 221 was thereupon read to the Court by Mr. Houchins.)

[fols. 729-730] The next Government exhibit is Exhibit No. 222 which is a letter addressed to Lammot du Pont at The Villas, Worth Avenue, Palm Beach, Florida, dated February 26th, 1946, from Walter S. Carpenter, Jr.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 222.)

(Said Government's Exhibit No. 222 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 224 which is a letter written by W. S. Carpenter, Jr., to Mr. Donaldson Brown, dated May 22nd, 1946, and marked "Personal & Confidential":

[fol. 731] Mr. Houchins: The Government next offers Exhibit No. 228. Exhibit No. 228 is a letter from Alfred P. Sloan, Jr., Chairman, General Motors Corporation, to Walter S. Carpenter, President, du Pont Corporation, dated September 30, 1947. The letter indicates that its subject matter concerns the Board of Directors of General Motors Corporation. The Government does not propose to read the document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 228.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 232. It is a letter from Alfred P. Sloan, Jr., Chairman, Board of Directors, General Motors Corporation, to Walter S. Carpenter, Jr., Chairman, Board of Directors of du Pont Corporation, dated September 15, 1948.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 232.)

(Said Government's Exhibit No. 232 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Exhibit No. 231, which is a memorandum, an inter-office memorandum apparently from W. S. Carpenter, Jr., to Lammot du Pont.

The subject matter apparently concerns the same matter discussed in the previous document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 231.)

[fols. 732-733] The Government next offers Trial Exhibit No. 233.

[fols. 734-735] The Court: you may proceed.

Mr. Harsha: I should now like to call attention, your Honor, to Paragraph 52 of the complaint which concerns the principal official positions which the individual defendants have held with the du Pont Company and the General Motors Company, and in connection therewith the Government offers Exhibit No. 174.

The Court: Did you say 174?

Mr. Harsha: 174, your Honor.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 174.)

[fol. 736] Mr. Harsha: The Government next offers Exhibit 177, which is a chart showing the members of the Board and principal executive offices held in the General Motors Corporation by certain individuals during the period from 1917 to 1948.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 177.)

[fols. 737-739] Mr. Harsha: The Government next offers Exhibit 179, which is an "Advice of Action" in the du Pont Company, dated November 22, 1920, concerning the presidency of the General Motors Corporation, which is a resolution which was offered and adopted at that time by the Finance Committee of du Pont, in which it is indicated that the du Pont Company has indirectly an investment of approximately \$70,000,000 in General Motors, and it is the wish of the du Pont Company that Mr. P. S. du Pont accept the presidency of General Motors.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 179.)

[fols. 740-741] The Government next offers Exhibit No. 240, which is a document dated July 26, 1923, which is addressed to the Finance Committees of General Motors Corporation and E. I. du Pont de Nemours & Company from J. J. Raskob.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 240.)

[fol. 742] The Government next offers Government's Exhibit No. 241, which is from the Minutes of the meeting of the Board of Directors of the General Motors Corporation, dated August 9, 1923.

[fol. 743] I next offer Government's Exhibit No. 242, which is a letter to Mr. P. S. du Pont, dated August 14, 1923, written by Irene du Pont.

[fol. 744] The Government next offers Exhibit No. 243, which is the Minutes of a special meeting of the Board of Directors of the E. I. du Pont de Nemours & Company held on August 30, 1923. This concerns the plan for the General Motors Securities Company, and it is not my intention at this time to read it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 243.)

Mr. Harsha: Government next offers Exhibit No. 244, which is a document addressed to the Finance Committee from the Board of Directors of the du Pont Company, dated October 15, 1923, reporting the approval by the Board of [fol. 745] Directors of certain minor changes in the plan as submitted to it. It is not my intention to read it at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 244.)

Mr. Harsha: As I indicated, your Honor, I believe this is a somewhat intricate plan, the details of which might more appropriately be outlined by the Government in its closing brief in the case. These other documents go, however, to establish the basic mechanics of the problem.

Next, we offer Government's Exhibit No. 246, which is a letter dated October 19, 1923, addressed to Walter S. Carpenter of du Pont from J. J. Raskob, which encloses a corrected draft of the plan of the Managers Securities Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 246.)

Mr. Harsha: Next, I offer Government's Exhibit No. 247, which is a communication dated October 27, 1923, addressed to the Board of Directors of the du Pont Company from its Vice President, J. J. Raskob, about the subject matter and the plans of the Managers Securities Company, which I propose to read:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 247.)

(Said Government's Exhibit No. 247 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 248 which consists of the minutes of a special meeting of the [fol. 746] Board of Directors of du Pont American Industries, Inc., held on November 5th, 1923, which consists primarily of a resolution approving, by that subsidiary of the du Pont Company, the proposed plan.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 248.)

Mr. Harsha: The Government next offers Exhibit No. 250 which is a minutes of meeting of Board of Directors of the General Motors Corporation dated November 8th, 1923, which I don't propose to read, but which contains a resolution approving, subject to the ratification thereof by said stockholders, of this Managers Securities plan.

Said document, so offered and received in evidence, was marked Government's Exhibit No. 250.)

Mr. Harsha: The Government next offers Exhibit No. 252, which is the minutes of the regular quarterly meeting of the Board of Directors of General Motors Securities Company on May 16, 1924. I don't propose to read this, your Honor.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 252.)

Mr. Harsha: The Government next offers Exhibit No. 253, which is the minutes of the annual meeting of the stockholders of the General Motors Securities Company on March 17th, 1926, which is concerned, among other things, with the election of the directors of the General Motors Securities Company.

[fol. 747] I think the record will show that all of those listed on page 2 were also officers or directors of the du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 253.)

Mr. Harsha: I next offer Exhibit No. 254 which is an annual meeting of the stockholders of the General Motors Securities Company dated March 16th, 1932, which again pertains, among other things, to the election of the Board of Directors of the General Motors Securities Company, the names of the successful nominees being listed on page 2.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 254.)

Mr. Harsha: I next offer Exhibit No. 256 which is another annual meeting of the stockholders of the General Motors Securities Company, dated March 15th, 1933.

I also call the Court's attention to the list of directors who were nominated and elected at that meeting as stated on page 1.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 256.)

Mr. Harsha: I next introduce Government's Exhibit No. 257 which is another annual meeting of the stockholders of the General Motors Securities Company of March 21st, 1934.

I might indicate, your Honor, as to the last two documents that these exhibits also list the number of shares of the Class A stock which was outstanding, and it will be observed that [fols. 748-750] the Class A stock is decreasing in amount during these years.

I think the record will show from the documents which we have put in and which we are about to put in, that there was



a partial liquidation begun in 1930 which was not accomplished completely until 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 257.)

Mr. Harsha: I next introduce Government's Exhibit No. 262 which is a letter dated August 7th, 1929, written by John J. Raskob, addressed to the General Motors Securities Company, with copies to the gentlemen indicated:

Ireneé du Pont, Lamot du Pont, Henry du Pont, H. G. Haskell, Walter S. Carpenter, Jr., and M. D. Fisher. [fol. 751] And in connection with our further allegations, I introduce next Government's Exhibit No. 276 which charts the membership of the Bonus and Salary Committee of General Motors during the period 1941 through 1948.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 276.)

Mr. Harsha: Next I introduce Government's Exhibit No. 258, which consists of certain interrogatories propounded by the plaintiffs in this action to the General Motors Corporation, specifically Interrogatories 7 and 8.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 258.)

Mr. Harsha: I should also like to introduce, together with [fol. 752] this, the answer, which is Schedule F, found in Exhibit No. 259, which I also offer at this time, which lists the names and positions and date of awards of the Class A stock purchased and the Class B stock purchased for each of the persons indicated on this list.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 259.)

Mr. Harsha: I think the record will indicate that Mr. Alfred P. Sloan, Jr., who was the President of the company, received the largest allotment of 2800 shares, Class A stock, and 2800 shares, Class B.

I next offer Exhibit No. 260, which consists of the answers of the General Motors Corporation to Interrogatory 7(a) and 7(b).

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 260.)

Mr. Harsha: This deals with the General Motors Management Corporation stock purchased from the date 1930, and I think the last date is around 1935. This is also arranged similarly to the previous exhibit.

I next offer Exhibit No. 263, which is a letter dated August 13, 1929, addressed to Mr. Lamot du Pont from Alfred P. Sloan.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 263.)

[fol. 753] Mr. Harsha: Reading Government Exhibit 263, which consists of a letter from Alfred P. Sloan, Jr. to Mr. Lamot du Pont, dated August 13, 1929.

(Said Government's Exhibit No. 263 was thereupon read to the Court.)

Mr. Harsha: Government next offers Exhibit No. 264, which I believe is the reply to the previous exhibit written by Mr. Lamot du Pont to Alfred P. Sloan, Jr., dated August 20, 1929.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 264.)

Mr. Harsha: The Government doesn't propose to read it at this time.

The Government next offers Exhibit No. 265, which consists of the minutes of a special meeting of the Board of Directors of General Motors Securities Company, held on January 6, 1930, headed, "Partial Liquidation of Company."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 265.)

Mr. Harsha: The Government doesn't propose to read this at this time.

The Government next offers Exhibit No. 266, which is a communication from Lamot du Pont, President, to Mr. W. S. Carpenter, Jr.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 266.)

[fol. 754] Mr. Harsha: This is dated October 24, 1930, and it reads:

(Said Government's Exhibit No. 266 was thereupon read to the Court.)

Mr. Harsha: The Government next offers Exhibit No. 267 which is a communication to the Finance Committee, and Board of Directors of the General Motors Securities Company from the Chairman Finance Committee concerning the reorganization of General Motors Securities Company and acquisition of assets of Managers Securities Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 267.)

Mr. Harsha: It is not the Government's intention at this time to read the various agreements attached thereto. I think they can be more appropriately summarized in our closing briefs.

We next offer Government's Exhibit No. 268, which consists of the Minutes of a special meeting of the Board of Directors of General Motors Securities Company, on December 15, 1930. We do not propose to read that at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 268.)

Mr. Harsha: We next offer Government's Exhibit No. 269, which is a communication dated January 17, 1931, addressed to the Board of Directors, General Motors Securities Company from Treasurer, concerning reorganization of General Motors Securities Company. We do not propose to read that at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 269.)

Mr. Harsha: We next offer Government's Exhibit No. 270, which is dated February 12, 1932; addressed to the Board of Directors, General Motors Securities Company from Treasurer, which we do not propose to read at this time.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 270.)

Mr. Harsha: We next offer Government's Exhibit No. 273, which is a communication dated January 4, 1939, to the Finance Committee from Treasurer. That should be from the Treasurer of du Pont Company, I believe, subject to correction.

Mr. Harlan: That is correct.

[fols. 756-757] Mr. Harsha: The Government next offers Government's Exhibit 274, which is a document apparently submitted to the Treasurer of the Bureau of Internal Revenue entitled, "Proposed Complete Liquidation of General Motors Securities Company."

[fol. 758-764] Mr. Hoyt: I should now like to offer Exhibit No. 277.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 277.)

[fol. 765] The Government now offers Exhibit No. 278. This is a report to the Executive Committee dated August 14th, 1918, signed L. du Pont and William Coyne, Committee. It is the Government's intention to offer only excerpts from this document.

Mr. Cox: May it please the Court, we object to the document on those terms, and ask that the whole document be received in evidence.

The Court: The whole document will be received in evidence.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 278.)

[fols. 766-769] Mr. Hoyt: We next offer Government's Exhibit No. 279 and do not intend to read anything from that document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 279.)

Mr. Hoyt: We now offer certain excerpts from Government's Exhibit No. 280.

[fols. 770-773] The Government next proposes to offer excerpts from Government's Exhibit No. 281.

[fols. 774-775] We next offer Government's Exhibit 282 which is addressed to the Executive Committee Building, signed by W. S. Carpenter, Jr., per FSP, vice president, dated March 18, 1920.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 282.)

[fols. 776-777] The Government now offers Exhibit 283 which is entitled: "Advice of Action" dated March 23, 1920, to Mr. W. S. Carpenter, Jr., attention Dr. Fin. Sparre. Copy to Messrs. W. C. Spruance, C. A. Meade, and F. W. Pickard, signed by M. D. Fisher, Secretary, Executive Committee.

The Government does not intend to read from this document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 283.)

We next offer Exhibit No. 284, which is addressed to the Executive Committee Building, dated April 7, 1920, and signed by W. S. Carpenter, Jr., vice president.

[fols. 778-784] We next offer Government's Exhibit No. 285.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 285.)

[fol. 785] The Government now offers Exhibit No. 286, which is addressed to the Board of Directors, Flint Varnish & Color Works, from Hunter Grubb and A. B. Echols, dated November 30, 1921.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 286.)

[fol. 786] Government now offers Exhibit No. 287, which is an extract from minutes of meeting of the Board of Directors of General Motors Corporation held on the 8th day of January, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 287.)



We next offer Government's Exhibit No. 288, an extract from minutes of Finance Committee meeting on February 16, 1923.

[fols. 787-790] The subject is "Flint Varnish & Color Works."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 288.)

Mr. Hoyt: We do not propose to read from that exhibit.

Next, the Government offers Exhibit No. 289, which is dated January 27, 1923, addressed to the Executive Committee from the Development Department.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 289.)

[fol. 791] The Government next offers Exhibit No. 290 which is a letter addressed to Mr. William Coyne, Vice President, and dated April 15th, 1918. It is not signed except for the title of "Vice President."

Would defense counsel agree that this letter was signed by J. Haskell?

Mr. Harlan: Yes, it was.

Mr. Hoyt: Reading from the beginning of the letter:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 290.)

(Said Government's Exhibit No. 290 was thereupon read to the Court.)

Mr. Hoyt: The Government next offers Exhibit No. 291 which is on the letterhead of the du Pont Fabrikoid Company, addressed to Mr. J. A. Haskell and signed by Mr. C. Hallock Silkman, Sales Agent, dated April 19th, 1918.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 291.)

(Said Government's Exhibit No. 291 was thereupon read to the Court.)

[fol. 792] Mr. Hoyt: We next offer Exhibit No. 292, which is a letter dated April 20th, 1918, addressed to Mr. C. Hallock Silkman, Sales Agent, du Pont Fabrikoid Company, which is apparently in answer to the preceding exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 292.)

(Said Government's Exhibit No. 292 was thereupon read to the Court by Mr. Hoyt.)

Mr. Harsha: The government next offers Exhibit No. 293, which is a communication addressed on May 22nd, 1918, on the letterhead of the du Pont Company, to Mr. C. L. Petze from Mr. William Coyne, headed "SALES TO GENERAL MOTORS COMPANY."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 293.)

(Said Government's Exhibit No. 293 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The Government next offers Exhibit No. 294, which is a letter on the letterhead of the Arlington Works, owned and operated by Du Pont, dated June 15, 1918, addressed to Mr. J. A. Haskell, Vice President, du Pont Company, and signed by J. A. Burekel, Sales Manager.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 294.)

(Said Government's Exhibit No. 294 was thereupon read to the Court by Mr. Harsha.)

. . . . .

[fol. 793] I next offer Government's Exhibit No. 295 which is a letter dated July 2, 1920, on the stationery of the Du Pont Fabrikoid Company, by W. S. Simpson, Manager Statistical Bureau, addressed to Mr. J. A. Haskell, Vice President, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 295.)

(Said Government's Exhibit No. 295 was thereupon read to the Court by Mr. Harsha.)

We next offer Exhibit No. 296, which is a letter dated July 11, 1918: it is a letter by Mr. Edward Ver Linden to Mr. J. A. Haskell, Vice President, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 296.)

\* \* \* \* \*

[fol. 794] I next offer Exhibit No. 297, which is a letter dated July 12, 1918, addressed to Mr. J. A. Haskell, c/o Chevrolet Motor Company, by Mr. C. O. Terpenning.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 297.)

(Said Government's Exhibit No. 297 was thereupon read to the Court by Mr. Harsha.)

\* \* \* \* \*

Next Exhibit is No. 298 from the president of the Cadillac Motor Car Company, Mr. R. H. Collins to Mr. J. A. Haskell, General Motors Corporation dated July 12, 1918.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 298.)

[fols. 795-833] (Said Government's Exhibit No. 298 was thereupon read to the Court by Mr. Harsha.)

\* \* \* \* \*

I next offer Government's Exhibit No. 299 which is somewhat similar to the preceding document, being a communication on the letterhead of General Motors Truck Company by W. L. Day addressed to Mr. J. A. Haskell, dated July 13, 1918, stating:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 299.)

Said Government's Exhibit No. 299 was thereupon read to the Court by Mr. Harsha.)

I next offer Government's Exhibit No. 300, which is a communication dated July 15, 1918, on the letterhead of the Oakland Motor Car Company, addressed to Mr. J. A. Haskell and signed Fred W. Warner, General Manager, Oakland Motor Car Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 300.)

[fol. 834] Mr. Harsha: The Government offers Exhibit No. 301, which is an exhibit dated July 20, 1918, office memorandum of the Oakland Motor Car Company, for the attention of Mr. Warner, signed by Mr. J. S. O'Rourke.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 301.)

Mr. Harsha: The memorandum states:

(Said Government's Exhibit No. 301 was thereupon read to the Court.)

Mr. Harsha: I next offer Exhibit No. 302, which is on the letterhead of the Du Pont Fabrikoid Company, dated July 3, 1918, directed to Mr. J. A. Haskell, Chevrolet Building. It is signed by F. Kniffen, Vice President. It states:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 302.)

(Said Government's Exhibit No. 302 was thereupon read to the Court by Mr. Harsha.)

[fols. 835-836] Mr. Harsha: I next offer Government's Exhibit No. 303, which is addressed to the Board of Directors of the du Pont Fabrikoid Company, dated November 18, 1919, and signed by Charles L. Petze, Vice President. It concerns the contract with the Buick Motor Company on top material.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 303.)

[fol. 837] Mr. Harsha: I next offer Exhibit 304, dated December 19, 1919, which is a communication addressed to the Executive Committee of du Pont from the Board of Directors of the du Pont Fabrikoid Company. It merely includes a copy of the report from the sales department, and I do not propose to read it. It merely indicates that the report was accepted and ordered filed.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 304.)

Mr. Harsha: I next offer Government's Exhibit No. 305, which is a letter to Mr. M. L. Prensky, Treasurer, General

Motors Corporation, dated February 3, 1920. It is unsigned, but I presume it is by J. A. Haskell, subject to correction.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 305.)

[fol. 838] (Said Government's Exhibit No. 305 was thereupon read to the Court by Mr. Harsha.)

Mr. Hoyt: The Government next offers Exhibit No. 306, which is a letter addressed to Mr. John J. Raskob, Vice-President, dated July 29th, 1920, and it is signed by Charles L. Petze, Vice-President.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 306.)

(Said Government's Exhibit No. 306 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 307, which is a letter dated August 25th, 1920, addressed to Mr. C. L. Petze, Vice-President, du Pont Fabrikoid Company, Wilmington, Delaware. It bears the initials J. A. M., which apparently should be J. A. H., referring to Mr. J. A. Haskell, Vice-President.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 307.)

(Said Government's Exhibit No. 307 was thereupon read to the Court by Mr. Hoyt.)

[fols. 839-840] The Court: Proceed.

Mr. Hoyt: Before the noon recess the Government was about to introduce Exhibit No. 308. I will now offer that exhibit. That is a letter on the letterhead of E. I. du Pont de Nemours and Company, addressed to Mr. J. A. Haskell, Vice President of General Motors Corporation, and signed by F. W. Pickard, Vice President. The date is September 15th, 1920:

(Said Government's Exhibit No. 308 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 308.)



Mr. Hoyt: The Government next offers Exhibit No. 309, which is on the letterhead of E. I. du Pont de Nemours and Company, Treasurer's Office, signed by W. S. Carpenter, Jr., addressed to Mr. F. Donaldson Brown, Vice President,

[fols. 841-842] Mr. Hoyt: We next offer Exhibit No. 310 which is dated April 29th, 1921, addressed to Mr. W. S. Carpenter, Jr., Treasurer, E. I. du Pont de Nemours and Company, and bears the initials at the bottom "DB" which we assume stands for "Donaldson Brown," the Vice President.

(Said Government's Exhibit No. 310 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 310.)

Mr. Harsha: The Government next, your Honor, would like to offer Exhibits 311, 312, 313, and 314, which are four exhibits consisting of an exchange of correspondence on a related subject.

(Said exhibits, so offered and received in evidence, were marked Government's Exhibits Nos. 311, 312, 313 and 314.)

[fol. 843] Mr. Hoyt: The next group of documents all contain the subject of anti-freeze, beginning with Exhibit No. 315, which I now offer.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 315.)

[fol. 844] We next offer Exhibit No. 316.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 316.)

Mr. Hoyt: This is addressed to Mr. Z. Phelps, from Mr. Pratt, Vice-President, in answer to the preceding one, and is dated September 2, 1924.

(Said Government's Exhibit No. 316 was thereupon read to the Court.)

Next is Exhibit No. 317, which is a letter from J. L. Pratt to Mr. James Lynah, dated September 2, 1924.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 317.)

Mr. Hoyt: This reads as follows:

(Said Government's Exhibit No. 317 was thereupon read to the Court.)

We next offer Exhibit No. 318, which is a letter from Mr. James Lynah, Secretary of General Motors, to Mr. J. L. Pratt, dated September 4, 1924.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 318.)

Mr. Hoyt: The subject is "Ethyl Alcohol."

(Said Government's Exhibit No. 318 was thereupon read to the Court.)

[fol. 845] I would like to make a correction. Mr. Lynah was secretary of the General Purchasing Committee. The letterhead of Exhibit No. 318 is the General Purchasing Committee of the General Motors Corporation.

We next offer Exhibit No. 319.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 319.)

Mr. Hoyt: This is a letter on the letterhead of E. I. du Pont de Nemours & Company, Executive Offices, signed by H. Fletcher Brown, Vice-President, and addressed to Mr. Alfred P. Sloan, President of General Motors, dated November 13, 1925.

(Said Government's Exhibit No. 319 was thereupon read to the Court.)

Mr. Hoyt: We next offer Exhibit No. 320, which is a letter addressed to Mr. H. Fletcher Brown, Vice President, E. I. du Pont de Nemours & Company, dated November 17, 1925, and is signed by A. P. Sloan, Jr.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 320.)

(Said Government's Exhibit No. 320 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 321, which is a letter to Mr. F. La Motte, Jr., Director of Purchases, E. I. du Pont de Nemours and Company from J. L. Pratt, dated January 11, 1926.

[fol. 846] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 321.)

(Said Government's Exhibit No. 321 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 322, which is dated January 22, 1926, and is a letter from Mr. J. L. Pratt to Mr. J. B. Jackson.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 322.)

(Said Government's Exhibit No 322 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 323, which is on the letterhead of the General Motors Corporation, from J. B. Jackson to John L. Pratt, dated January 28, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 323.)

. . . . .

[fol. 847] The Government next offers Exhibit No. 324, dated March 23, 1926, which is on the letterhead of the Development Department of E. I. du Pont de Nemours & Company, signed by Z. Phelps to Mr. John Pratt, Vice President, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 324.)

(Said Government's Exhibit No. 324 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 325 [fol. 848] which is a letter from J. L. Pratt to Mr. Z. Phelps of the Development Department of du Pont, dated April 5, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 325.)

(Said Government's Exhibit No. 325 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 326 dated August 23rd, 1926; addressed to Mr. O. E. Hunt, Chief Engineer, Chevrolet Motor Company, and is from Alfred P. Sloan, Jr.:

(Said Government's Exhibit No. 326 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 326.)

Mr. Hoyt: The Government next offers Exhibit No. 327, which is addressed to Mr. A. P. Sloan, Jr., and is from Mr. O. E. Hunt, Chief Engineer of the Chevrolet Motor Company, and dated September 1, 1926.

(Said Government's Exhibit No. 327 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 327.)

Mr. Hoyt: The Government next offers Exhibit No. 328, a letter from Z. Phelps of the E. I. du Pont de Nemours & Company Development Department to Mr. John Pratt, [fols. 849-851] Vice President, General Motors Corporation, dated October 14, 1926.

(Said Government's Exhibit No. 328 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 328.)

Mr. Hoyt: We next offer Exhibit No. 329, which is a letter from J. L. Pratt, Vice President, to Mr. Phelps, dated October 19th, 1926.

(Said Government's Exhibit No. 329 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 329.)

Mr. Hoyt: We next offer Exhibit No. 330 from Z. Phelps to J. L. Pratt, dated October 21, 1926:

[fol. 852] Mr. Hoyt: We next offer Exhibit No. 331.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 331.)

[fol. 853] Mr. Hoyt: This is a letter from James Lynah to Mr. J. L. Pratt, on November 13, 1926, subject: "ANTI-FREEZE SOLUTIONS."

(Said Government's Exhibit No. 331 was thereupon read to the Court.)

We next offer Exhibit No. 332.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 332.)

Mr. Hoyt: This is a letter from Mr. Z. Phelps to Mr. J. L. Pratt, dated November 17, 1926.

(Said Government's Exhibit No. 332 was thereupon read to the Court.)

The Government next offers certain excerpts from Exhibit No. 333. The excerpt offered begins on page 5 of this document, which is a memorandum by Zack Phelps, dated November 16, 1926, entitled: "Disadvantages of Glycerin for Anti-Freeze."

Mr. Cox: May it please the Court, this exhibit was not excerpted in the copy that I have, but without knowing what the excerpts are, I think I shall object to the admission of the excerpts only.

The Court: The entire document will be received.

Mr. Hoyt: Very well. The entire document is offered.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 333.)

[fol. 854] Mr. Hoyt: The Government next offers Exhibit No. 334, which is a letter from Z. Phelps of the Development Department to J. L. Pratt, dated November 19, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 334.)

(Said Government's Exhibit No. 334 was thereupon read to the Court by Mr. Hoyt.)



Mr. Hoyt: I next offer Exhibit No. 335, which is a letter from Z. Phelps to J. L. Pratt, dated December 3, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 335.)

[fol. 855] (Said Government's Exhibit No. 335 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 336, which is a letter from A. P. Sloan, Jr., to J. L. Pratt, dated December 8, 1926, subject: "ANTI-FREEZE SOLUTION."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 336.)

(Said Government's Exhibit No. 336 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 337, a letter from A. P. Sloan, Jr., to J. L. Pratt, dated December 20, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 337.)

\* \* \* \* \*

[fol. 856] Mr. Harsha: Your Honor, we next turn to the so-called Delco-Light incident, and it consists of four related documents, Nos. 338, 339, 340 and 341. They are a connected series of correspondence which I now offer, the first of which is 338. Exhibit 338 is a letter dated January 11th, 1926, written by Mr. J. L. Pratt to James Elms of the Paint & Varnish Division of du Pont stating:

(Said Government's Exhibit No. 338 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 338.)

Mr. Harsha: I offer Exhibit No. 339, on the stationery of the Delco-Light Company, addressed to J. L. Pratt and [fols. 857-858] signed by Mr. E. G. Biechler, President and General Manager of Delco-Light Company, and dated January 21, 1926.

(Said Government's Exhibit No. 339 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 339.)

Mr. Harsha: Next is Exhibit No. 340.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 340.)

Mr. Harsha: This is addressed to Mr. E. G. Biechler, General Manager of Delco-Light Company, written by Mr. J. L. Pratt, Vice-President, with a copy to Mr. Elms, and is dated January 23, 1926.

(Said Government's Exhibit No. 340 was thereupon read to the Court.)

Mr. Harsha: Next is Exhibit No. 341.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 341.)

[fol. 859] Mr. Hoyt: The next group of documents, if the Court please, deal with the A. C. Spark Plug Company.

We now offer Exhibit No. 342.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 342.)

Mr. Hoyt: This is a letter from Mr. R. G. Knight to Mr. Curtice, copies to Messrs. Champion, deGuichard, Vessey, and Proctor, and dated April 15, 1926.

(Said Government's Exhibit No. 342 was thereupon read to the Court.)

Mr. Hoyt: We next offer Government's Exhibit No. 343.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 343.)

Mr. Hoyt: This is on the letterhead of A. C. Spark Plug Company, Flint, Michigan, and bearing the signature of A. Champion, President, addressed to Mr. J. L. Pratt, General Motors Corporation, dated April 16, 1926.

(Said Government's Exhibit No. 343 was thereupon read to the Court.)

Mr. Hoyt: We next offer Exhibit No. 344, a letter from J. L. Pratt to Mr. J. J. Moosman, of the du Pont Chemical Co., dated April 19, 1926, and marked "Personal."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 344.)

[fol. 860] (Said Government's Exhibit No. 344 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 345, which is a letter from Mr. J. J. Moosman to Mr. John L. Pratt, on the letterhead of the E. I. du Pont de Nemours & Company, Chemical Products Division, dated April 20, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 345.)

(Said Government's Exhibit No. 345 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers in evidence Exhibit No. 346, a letter from John L. Pratt, to Mr. Albert Champion, President, A. C. Spark Plug, dated April 21, 1926; copy to Mr. J. J. Moosman.

(Said document, so offered and received in evidence, was thereupon marked Government's Exhibit No. 346.)

(Said Government's Exhibit No. 346 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers Exhibit No. 347, a letter from A. Champion to J. L. Pratt, dated April 23, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 347.)

(Said Government's Exhibit No. 347 was thereupon read to the Court by Mr. Hoyt.)

[fol. 861] Mr. Hoyt: The Government next offers Exhibit No. 348, which is signed by Mr. R. B. Knight, addressed to Mr. deGuichard, copies to Messrs. A. Champion and Curtice, dated July 12, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 348.)

(Said Government's Exhibit No. 348 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: The Government next offers in evidence Exhibit 349, a letter on the letterhead of A. C. Spark Plug Company, signed A. Champion, President, to Mr. Pratt, dated July 14, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 349.)

(Said Government's Exhibit No. 349 was thereupon read to the Court by Mr. Hoyt.)

Mr. Harsha: The next series of exhibits are under the heading, "Information on General Motors Buying Potential." The Government offers Exhibits 350, 351, 352 and 353, which are a related series of correspondence. The first, No. 350, is a letter dated May 1, 1926, from Z. Phelps, Development Department of du Pont to Mr. John L. Pratt, Vice President of General Motors, and states:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 350.)

[fol. 862] (Said Government's Exhibit No. 350 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The next is 351 which we introduce, a letter written by Mr. J. L. Pratt, Vice President, to Mr. James Lynah, dated May 4, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 351.)

(Said Government's Exhibit No. 351 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next is Exhibit No. 352 which we offer, written by James Lynah, Executive Secretary, General Purchasing Committee, General Motors Corporation, dated May 15, 1926, for the Attention of Mr. J. L. Pratt, General Motors Corporation, subject: Black Enamels.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 352.)

(Said Government's Exhibit No. 352 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next is Exhibit No. 353 which we offer, and it is written by Mr. John L. Pratt to Mr. Z. Phelps, dated May 17, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 353.)

(Said Government's Exhibit No. 353 was thereupon read to the Court by Mr. Harsha.)

Mr Harsha: Next we offer Exhibits Nos. 354, 355, 356 and 357, which are a related series.

[fol. 863] First, No. 354 is written by Z. Phelps of the Development Department of du Pont to Mr. J. D. Brown, Vice President, General Motors Corporation, dated July 7, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 354.)

(Said Government's Exhibit No. 354 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The next number, 355, is a letter dated July 8, 1926, addressed to Mr. Charles T. Fisher, of the Fisher Body Corporation, written by Donaldson Brown, Vice President, General Motors Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 355.)

(Said Government's Exhibit No. 355 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next is Government's Exhibit 356 which we now offer, and was written by Charles T. Fisher to Donaldson Brown, dated July 30, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 356.)

(Said Government's Exhibit No. 356 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next is Exhibit No. 357 which we offer, and is dated August 2, 1926, written by Donaldson Brown to Mr. Z. Phelps of the Development Department of du Pont.



(Said document, so offered and received in evidence, was marked Government's Exhibit No. 357.)

[fol. 864] (Said Government's Exhibit No. 357 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next the Government offers Exhibits Nos. 358 and 359 which are related. The first is a letter written by W. F. Harrington, General Manager of du Pont to John L. Pratt, Vice President, General Motors Corporation, dated August 4, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 358.)

(Said Government's Exhibit No. 358 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: The reply to this letter is dated August 10th, 1926, and is Government's Exhibit No. 359, written by J. L. Pratt to W. F. Harrington, General Manager, Dyestuffs Department, du Pont.

(Said Government's Exhibit No. 359 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 359.)

Mr. Harsha: The Government next offers Exhibits Nos. 360 and 361 which are related, and 362. The first number, 360, is a letter by W. F. Harrington to Mr. John L. Pratt, Vice President of General Motors, dated September 23rd, 1925, and reads:

(Said Government's Exhibit No. 360 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 360.)

[fol. 865] Mr. Harsha: The reply is dated September 29th, 1925, and is written to Mr. Harrington by Mr. Pratt and reads:

(Said Government's Exhibit No. 361 was read to the Court.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 361.)

Mr. Harsha: Next we have a letter dated October 9th, 1925, which is Government's Exhibit No. 362, to Mr. W. F. Harrington, written by the Delco-Light Company General Manager, which I believe is Mr. Biechler with a carbon copy to Mr. Pratt.

(Said Government's Exhibit No. 362 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 362.)

Mr. Hoyt: The next series of documents concern production forecasts. I now offer Government's Exhibit No. 363 which is on the letterhead of E. I. du Pont de Nemours and Company, signed by Lammot du Pont, President, addressed to Alfred P. Sloan, President of General Motors, and dated October 28th, 1926.

(Said Government's Exhibit No 363 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 363.)

[fol. 866] Mr. Hoyt: I next offer Government's Exhibit No. 364 from J. L. Pratt to Lammot du Pont, dated October 29th, 1926.

(Said Government's Exhibit No. 364 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 364.)

Mr. Hoyt: I next offer Government's Exhibit No. 365 from A. P. Sloan to Lammot du Pont, dated November 8th, 1926.

(Said Government's Exhibit No. 365 was thereupon read to the Court by Mr. Harsha.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 365.)

Mr. Hoyt: This follows as part of this schedule, as part of this exhibit; there are some handwritten pages showing or listing names of various General Motors divisions, and

with figures of production after them which we don't propose to read.

Mr. Cox: May it please the Court, there is a problem, I think, and not a serious problem about the organization and authenticity of this exhibit on which, with the Court's permission, I should like to make a brief comment.

The exhibit or letter which counsel for the Government has just read to the Court, Government trial Exhibit No. 365, is a letter sent by Mr. Sloan to Mr. Lammot du Pont, and it follows, of course, that the original of that letter is [fol. 867] in the files of the du Pont Company, and that the copy which we have here was taken therefore, from a document that is in the files of the du Pont Company.

In those files the following documents which are attached to the Exhibit 365 of trial Exhibit No. 365, were found attached. That is, the handwriting, the handwritten schedules, and the handwritten note, and the two typewritten pages were found attached to the letter, which is now Government trial Exhibit No. 365, but so far as we could determine those pages were not enclosures with Mr. Sloan's letter. They were something that were added to the document at a later date, and as we reconstruct what happened, it is this: That if your Honor will look at the handwritten note that appears on page 5 of the exhibit, addressed to L. du Pont, President, and signed "W. P. Allen," we think that is a memorandum that was sent by Mr. Allen to Mr. du Pont, and that the two typewritten pages that follow were material that Mr. Allen attached to that memorandum to Mr. du Pont.

Do I make myself clear?

Mr. Hoyt: Yes, it is understandable.

Mr. Cox: And we believe that the two handwritten tables of figures are figures that were prepared either by Mr. Lammot du Pont or by someone for Mr. Lammot du Pont independently, and not something that was enclosed in the letter that was sent by Mr. Sloan to Mr. du Pont.

Mr. Hoyt: You are not objecting to this, to their admission?

Mr. Cox: No, but I think the record should be clarified, because as it now stands I think the impression may be left [fol. 868] that these documents were enclosures, and I think they were not, so far as we could ascertain. I was going to

suggest to counsel for the Government in the interest of clarity that it might be well to number these exhibits separately, giving them A and B numbers, and making the memorandum from Mr. Allen with the two typewritten pages Government's trial Exhibits 366-A, and the second handwritten tabulations of figures Government's trial Exhibit No. 366-B, and we will supply reprinted copies of those pages to the Government.

Mr. Cox: What we intended to do was to have them follow the reply of Mr. Lamot du Pont, which is Government Exhibit No. 366.

Mr. Harsha: Would counsel stipulate that the pages which bear the notations G.M.C.-594-C, which are the handwritten notes, and G. M. C. 594-D, are figures which were provided by someone in the General Motors organization to the du Pont Company?

Mr. Cox: Mr. Harsha, I am not in a position to stipulate to that this afternoon. I will make a further investigation. All I am certain of now—

Mr. Harsha: Yes. I want to make it clear to the Court, we had no intention of attempting to mislead the Court as to this being enclosed.

It was our impression, since the Court will notice that each of these documents, beginning with 365, bears the notation, G.M.C.-594, and then they go alphabetically, A, B, C, and D, and were all attached together at the time we received the documents.

Mr. Cox: I think those numbers, Mr. Harsha, are our file numbers for our own convenience.

[fol. 869] These documents—there is no dispute about that—were all found together in the files of the du Pont Company. But we do not believe that this document physically was sent by anyone in General Motors to Mr. Laminot du Pont, that is, the two pages that are numbered G.M.C.-594-C and G.M.C.-594-D.

It may be that the information on those pages was obtained from some source at General Motors, but that is a point on which I cannot give you any assurance this afternoon.

Mr. Harsha: Perhaps it would be best to withdraw this temporarily until such time as we can explore this matter further.

Mr. Cox: Well, I will defer to you on that point. We are not objecting to the authenticity of any of these documents.

It is a matter of making sure that there is no misunderstanding as to the fact that the other documents were not enclosed.

The Court: The Government is not representing that these attached statements were enclosed?

Mr. Harsha: No, your Honor, we are not. We were merely offering together that which was found physically grouped together as it came into our possession.

The Court: You have no information as to the source?

Mr. Harsha: Nothing other than the natural presumption which arose from the numbering that we found on the documents that this apparently had been included with the covering letter to Mr. du Pont.

[fol. 870-872] The Court: I think with that explanation it will be received.

(Said exhibit, so offered, and received in evidence, was marked Government's Exhibit No. 365.)

Mr. Cox: You understand, Mr. Harsha, the file numbers were something that were put on there, as I understand it, after the case started for our own convenience. So that no inference can be drawn from the presence of those numbers.

Mr. Harsha: I see.

Mr. Hoyt: The Government next offers Exhibit No. 366, that is, certain excerpts from Exhibit No. 366.

Mr. Cox: Are you offering just the excerpts?

Mr. Hoyt: Yes.

Mr. Cox: We object to that, your Honor.

The Court: The entire exhibit will be received.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 366.)

[fol. 873] Mr. Hoyt: The Government next offers Exhibit No. 367, a letter from A. P. Sloan, Jr., to Mr. Lammot du Pont, President of E. I. du Pont de Nemours & Company, with copy to Mr. J. L. Pratt.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 367.)

[fol. 874] Mr. Hoyt: The letter is dated November 11, 1926, and reads as follows:



(Said Government's Exhibit No. 367 was thereupon read to the Court.)

Mr. Hoyt: We next offer Government's Exhibit No. 368, which is a letter from Mr. John L. Pratt to A. P. Sloan, Jr., dated November 15, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 368.)

(Said Government's Exhibit No. 368 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 369, a letter from Mr. Alfred P. Sloan, Jr., to Lamont du Pont, dated November 16, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 369.)

(Said Government's Exhibit No. 369 was thereupon read to the Court by Mr. Hoyt.)

Mr. Harsha: I think we have time for just about three more short documents which bear on the ammonia purchases.

The Government offers Exhibits 371, 372, 373 and 374.

The first is a document dated December 7, 1934, to Mr. Fred G. Hughes, General Manager, New Departure Manufacturing Company, which the record I am sure will show is a subsidiary of General Motors Company, and written by Mr. J. L. Pratt.

[fols. 875-879] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 371.)

(Said Government's Exhibit No. 371 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next we offer Government's Exhibit No. 372, dated December 10, 1934, which is on the stationery of the New Departure Division, and written by F. G. Hughes, General Manager, to John L. Pratt and is a reply to the previous exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 372.)

(Said Government's Exhibit No. 372 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: Next I offer Exhibit No. 373, which is a letter dated December 14, 1934, addressed to Mr. Robert McClellan, National Ammonia Company, du Pont Building, written by Mr. J. L. Pratt, Vice President, General Motors.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 373.)

(Said Government's Exhibit No. 373 was thereupon read to the Court by Mr. Harsha.)

Mr. Harsha: I next offer Exhibit No. 374, which is a letter addressed to Mr. F. G. Hughes, General Manager of the New Departure Division, and written by Mr. J. L. Pratt.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 374.)

(Said Government's Exhibit No. 374 was thereupon read to the Court by Mr. Harsha.)

[fol. 880] Mr. Hoyt: The first group of documents concerns Duco. The first document that the Government offers is Exhibit 377 which is on the letterhead of General Motors Corporation. It is addressed to Mr. Irene du Pont, president of E. I. du Pont de Nemours & Company. It is dated October 19, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 377.)

[fols. 881-884] Mr. Hoyt: I next offer Government's Exhibit No. 378, a letter from Mr. P. S. du Pont to A. P. Sloan, Jr., dated October 19, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 378.)

(Said Government's Exhibit No. 378 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 379, which is a memorandum to the Executive Committee from the Cellulose Products Department of the du Pont Company, dated October 13, 1922.

[fol. 885] Mr. Hoyt: The Government next offers Exhibit

No. 380, a letter from Irene du Pont to Pierre S. du Pont dated October 20th, 1922.

[fols. 886-887] (Said Government's Exhibit No. 380 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 380.)

Mr. Harris: I will call the Court's attention now to Exhibit No. 381. It is a report to the Executive Committee from the Cellulose Products Department, signed by W. P. Allen, General Manager, and dated November-17th, 1922.

I am reading from page 10 of the report.

Mr. Neitzert: Counsel, are you offering excerpts from that exhibit?

Mr. Harris: I am offering excerpts from that exhibit.

Mr. Neitzert: We object to the offer of the excerpts, and ask that the entire exhibit be received.

The Court: The exhibit is received in its entirety.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 381.)

[fol. 888] Mr. Harris: Our next document, if your Honor please, is somewhat out of numerical order. It is Government Exhibit No. 1228.

[fol. 889] Mr. Harris: Then coming back, your Honor, to Volume 3, I call the Court's attention to Exhibit No. 383.

The Court: You may proceed.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 383.)

Mr. Harris: I shall not read from this document except to call the Court's attention to the fact that it is a report on methods of finishing automobiles using Duco material, and it is for Mr. F. O. Clements who, as we see, was the Director of Research. It is signed by a person, H. C. Mougey. It bears the date of February 21, 1923, and is introductory to the next document, which is 384.

[fol. 890] (Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 384.)

Mr. Harris: I will read it all. This is dated February 28, 1923. The signature is President—the initials are H. H. R.

Mr. Hurd: That is Mr. Rice.

Mr. Harris: Thank you, sir. That is president of what company?

Mr. Hurd: Cadillac Motor Car Company.

Mr. Harris: Thank you, Mr. Hurd.

This is dated February 28, 1923, to Mr. F. O. Clements, General Motors Research Corporation.

Mr. Harris: The next one, your Honor, is Exhibit No. 385, which is a letter to Mr. A. P. Sloan, Jr., from Mr. F. O. Clements, dated April 18, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 385.)

[fol. 891] (Said Government's Exhibit No. 385 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: Mr. Hoyt will take over, your Honor.

Mr. Hoyt: We next offer Exhibit No. 386 which is a letter from Alfred P. Sloan to Mr. William P. Allen, General Manager of the du Pont Company, dated January 28, 1924, Re: Matter of Duco Finish.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 386.)

(Said Government's Exhibit No. 386 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 387, a letter from A. P. Sloan to Mr. F. O. Clements, director of Research, General Motors Research Corporation, dated February 4, 1924.

This letter bears the notation, "Duco Finish" across the top.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 387.)

(Said Government's Exhibit No. 387 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 388 from A. P. Sloan, Jr., to W. P. Allen, General Manager of the Cellulose Products Department of the du Pont Company, dated February 4, 1924, Re: Duco Finish.

(Said documents, so offered and received in evidence, was marked Government's Exhibit No. 388.)

[fol. 892] (Said Government's Exhibit No. 388 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 394, a letter from Alfred P. Sloan, Jr., to Mr. William P. Allen, of the Cellulose Products Department, dated March 25, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 394.)

(Said Government's Exhibit No. 394 was thereupon read to the Court by Mr. Hoyt.)

Mr. Harris: May the record show, if the Court please, that the documents which were read by Mr. Harris were each offered in evidence by the Government. I would like that statement as to the excerpts which are received.

The Court: It is understood. It is not necessary for the Court to rule. It is implied.

Mr. Harris: I didn't even make the offer, your Honor.

The Court: They are received without the Court's ruling unless they are objected to.

Mr. Harris: Thank you.

Calling your attention now, and offering in evidence Government's Exhibit No. 399, which has been excerpted; I desire to read only excerpts. The exhibit is an excerpt from the Minutes of the meeting—

Mr. Hurd: If the Court please, we would prefer to have the entire document received.

The Court: The entire document is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 399.)

[fols. 893-895] The government offers next Exhibit No. 401 which is headed: "Excerpts" but is not an excerpt by the government. We are offering the entire document. It is an excerpt from an unsigned document to the Executive Committee dated September 27th, 1926, from the Paint, Lacquer & Chemicals Department, and is headed "Monthly Report—August, 1926—Paint, Lacquer & Chemicals Department GMC-1055."



[fol. 896-898] Mr. Neitzert: Mr. Harris, may it be stipulated that these Fairfield Branch sales are sales of rubber coated goods, and the Newburgh Branch sales of pyroxylin coated goods?

Mr. Harsha: That is correct, counsel.

Mr. Harris: It may be so stipulated.

[fols. 899-901] The Government offers Exhibit No. 402, a letter from John Marshall, marked Confidential, to Dr. Roy B. Davis, Mr. G. E. Conde and Mr. J. B. Bullitt, Jr. Copy to Dr. H. H. Hopkins and Mr. Matt Denning in turn.

Wilmington, Delaware, July 9, 1945.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 402.)

. . . . .

The Government offers Exhibit No. 417 in the form of excerpts.

[fol. 902] Mr. Harris: The Government offers Exhibit No. 403, which is a letter to P. S. du Pont, dated October 7, 1921, and signed R. R. M. C.

May I inquire who that is?

Mr. Cox: R. R. M. Carpenter.

Mr. Harris: On the letterhead of E. I. du Pont de Nemours & Company, Wilmington, Delaware, Executive Offices.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 403.)

. . . . .

[fol. 903] Mr. Harris: The government offers Government Trial Exhibit No. 404.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 404.)

Mr. Neitzert: As far as this exhibit is concerned, I have only the first page that I would like to have offered along with your excerpt.

Mr. Harris: I have no objection.

The Court: The record may so show.

Mr. Neitzert: That is the page that is numbered 2 on the first sheet.

Mr. Harris: Yes, sir, that is in addition to our excerpt.

Mr. Neitzert: That's right.

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[fol. 904] The Government next offers Trial Exhibit No. 411, and we will read all of it.

J (Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 411.)

[fol. 905-907] Mr. Harris: This is stated to be a Government excerpt from August 18, 1922, Cellulose Products Department, Final Report for June, and Preliminary Report for July, 1922, to Executive Committee of du Pont Company (G.M.C.-1052).

(Said Government's Exhibit No. 411 was thereupon read to the Court.)

Mr. Harris: The Government now offers Trial Exhibit No. 405. We will read certain portions.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 405.)

Mr. Harris: If the Court please, this is a memorandum which is stamped with the initials J. L. May we be advised?

Mr. Hurd: J. L. is J. Lynch.

[fols. 908-912] Mr. Hoyt: Government next offers Exhibit No. 406, which is addressed to the Executive Committee, and is from the Cellulose Products Department, dated February 12, 1923. ✓

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 406.)

[fol. 913] I next offer Government's Exhibit No. 407, a letter from Mr. William Coyne on the letterhead of the E. I. du Pont de Nemours & Company to P. S. du Pont. The letter is dated July 18, 1923. It is entitled "Chevrolet Top Business".

(Said document so offered and received in evidence, was marked Government's Exhibit No. 407.)

[fols. 914-915] Mr. Hoyt: We next offer Government's Exhibit No. 408 which is a letter addressed to William Coyne,

Vice President, and it is signed merely "Chairman of the Board". But it apparently and obviously is an answer to the preceding exhibit, dated July 19, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 408.)

(Said Government's Exhibit No. 408 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 410, a letter addressed to Mr. William S. Knudsen, Vice-President, Chevrolet Motor Car Company.

It is noted that P. S. du Pont is stamped across the document, although the document bears no signature. It is dated July 27, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 410.)

(Said Government's Exhibit No. 410 was thereupon read to the Court by Mr. Hoyt.)

Mr. Harris: The Government offers excerpt, if the Court please, from trial exhibit No. 412.

[fol. 916-919] The next document, which is Government's Exhibit No. 413, which we wish to offer, is in the form of excerpts.

[fol. 920-921] The Court: You may proceed.

Mr. Houchins: If the Court please, continuing the same general subject matter that was being covered before the noon recess, the Government now wishes to offer Government Exhibit 418.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 418.)

[fol. 922] The Government next offers Trial Exhibit No. 419, which is a letter from Mr. Phellis, General Director of Sales of the du Pont Company, to Mr. Lammot du Pont.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 419.)

. . . . .

[fol. 923] The Government next offers Exhibit No. 420, which is a letter to Mr. P. S. du Pont, Chairman, Board of

Directors, from the Vice President, the dictator's initials indicating that he was Lammot du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 420.)

[fol. 924] The Government next offers Government trial Exhibit No. 421, which is a letter from P. S. du Pont, President, in his capacity as President of General Motors Corporation, to Lammot du Pont, Vice President of the du Pont Company, dated August 23, 1921.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 421.)

[fol. 925] Mr. Hoyt: I next offer Exhibit No. 422, a letter from Lammot du Pont to Pierre S. du Pont, President General Motors Corporation, dated September 2, 1921.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 422.)

[fol. 926] Mr. Hoyt: I next offer Government's Exhibit No. 423, a letter from J. L. Pratt, to Mr. Z. Phelps, of the Development Department of E. I. du Pont Company, dated September 12, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 423.)

(Said Government's Exhibit No. 423 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I next offer Government's Exhibit No. 424, a letter from J. J. Raskob to the Finance Company, dated September 11, 1919.

(Said document, so offered and received in evidence, was thereupon marked Government's Exhibit No. 424.)

(Said Government's Exhibit No. 424 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I next offer Government's Exhibit No. 425 which is not signed, but as Chairman; that is the only thing that appears. We assume it is from Mr. Raskob, and it is addressed to F. J. Fisher, President, Fisher Body Company. It is dated September 11, 1919.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 425.)

Mr. Hoyt: The Government does not propose to read anything from this exhibit.

I now offer Exhibit No. 426 which is addressed to General [fol. 927] Motors Corporation, dated September 25, 1919, and is not signed.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 426.)

Mr. Hoyt: The Government does not propose to read anything from this exhibit.

I next offer Exhibit No. 427, a letter dated September 25, 1919, addressed to Messrs. F. J. Fisher and Charles T. Fisher. There is no signature on this letter.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 427.)

Mr. Hoyt: I will read the letter.

(Said Government's Exhibit No. 427 was thereupon read to the Court by Mr. Hoyt.)

I next offer Exhibit No. 428, which is on the letterhead of the Fisher Body Corporation, and signed by Fred J. Fisher, President, by order of the Board of Directors. It is addressed to the Holders of Preferred and Common Stock of Fisher Body Corporation, dated October 18, 1919.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 428.)

[fol. 928] I next offer Exhibit No. 429, dated November 24, 1919, which bears the heading General Motors Corporation, office of the Secretary, between Fisher Body Corporation of Detroit, Michigan, and Fred J. Fisher, Louis Mendelssohn, W. C. Durant, and Pierre S. du Pont, subject Voting Trust



Agreement Covering Stock of Fisher Body Corporation. I offer this Trust Agreement.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 429.)

Mr. Hoyt: The Government does not intend to read any portion of this exhibit.

I next offer Government's Exhibit No. 430, dated December 9, 1919, which is an agreement signed by the Fisher Body Corporation, by Charles T. Fisher, Vice President, and it is an agreement between Fisher Body Corporation and Fred J. Fisher.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 430.)

Mr. Hoyt: The Government does not propose to read anything from this exhibit.

I next offer Exhibit No. 431, which is a letter on the letter-head of the Bankers Trust Company of New York, addressed to Mr. Fred J. Fisher, Louis Mendelsohn, John J. Raskob and Pierre S. du Pont, Voting Trustees, Fisher Body Corporation. It is dated February 11, 1925, and is [fol. 929] signed by the Assistant Secretary of the Bankers Trust Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 431.)

(Said Government's Exhibit No. 431 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I next offer Government Exhibit No. 432, a letter from Bankers Trust Company signed by the Assistant Secretary, dated February 14th, 1925, and addressed to Mr. John J. Raskob, General Motors Corporation.

The Government does not intend to read any portion of this exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 432.)

Mr. Hoyt: I next offer Government's Exhibit No. 433 addressed to H. B. Watt, Assistant Secretary, Bankers Trust Company, New York City, and it is dated March 16th, 1925, has no signature, but does have the title "Chairman,"

and it is apparently from Mr. Raskob to whom the previous correspondence had been addressed.

The Government does not propose to read any portion of Exhibit No. 433.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 433.)

[fol. 930] Mr. Kramer: The Government next offers Exhibit No. 434, which is a letter from Lammot du Pont, Chairman of the Board of Flint Varnish & Color Works to Mr. Fred Fisher, President, Fisher Body Corporation, Detroit, Michigan, and is dated October 20th, 1922.

(Said Government's Exhibit No. 434 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 434.)

Mr. Kramer: The Government next offers Government's Exhibit No. 435 which is a letter from Pierre S. du Pont, written as President of the General Motors Corporation, to Mr. Lammot du Pont of the du Pont Company:

(Said Government's Exhibit No. 435 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 435.)

Mr. Kramer: The Government offers next Exhibit No. 436 which is a letter from Lammot du Pont, Vice President, to Mr. P. S. du Pont, President, General Motors Corporation, dated November 3rd, 1922:

(Said Government's Exhibit No. 436 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 436.)

[fol. 931] Mr. Kramer: The Government next offers Government's Exhibit No. 437 which is a letter by Lammot du Pont, Vice President, to Mr. Fred Fisher, President, Fisher Body Corporation, Detroit, Michigan, dated December 2nd, 1922:

(Said Government's Exhibit No. 437 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 437.)

Mr. Kramer: The Government next offers Government's Exhibit No. 438 which is a telegram, dated January 5, 1923, from Lamot du Pont to Mr. L. P. Fisher, General Motors Building, Detroit, Michigan.

(Said Government's Exhibit No. 438 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 438.)

Mr. Kramer: The Government offers next Exhibit No. 439, a telegram from Lamot du Pont to Mr. Lawrence P. Fisher, Hotel Biltmore, New York City, dated January 6th, 1923.

(Said Government's Exhibit No. 439 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 439.)

Mr. Kramer: The Government next offers Exhibit No. 440, dated January 6, 1923.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 440.)

[fol. 932] Mr. Kramer: This is a telegram from Mr. L. P. Fisher to Mr. L. du Pont at Wilmington.

(Said Government Exhibit No. 440 was thereupon read to the Court.)

Mr. Kramer: The Government next offers Exhibit No. 441.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 441.)

Mr. Kramer: This is a letter from Lamot du Pont, Chairman of the Board, to Mr. L. P. Fisher, General Motors Building, Detroit, Michigan, dated January 5, 1923.

(Said Government's Exhibit No. 441 was thereupon read to the Court.)

Mr. Kramer: The Government next offers Exhibit No. 442.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 442.)

Mr. Kramer: This is a letter from Lammot du Pont, Vice-President, to Mr. H. H. Rice, General Manager, Cadillac Motor Car Company, Detroit, Michigan, dated January 27, 1923.

(Said Government's Exhibit No. 442 was thereupon read to the Court.)

Mr. Kramer: The Government next offers Exhibit No. 443.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 443.)

[fol. 933] Mr. Kramer: This is a letter from Lammot du Pont, Vice-President, to Mr. Lawrence P. Fisher, Fisher Body Corporation, Detroit, Michigan, with a copy to Mr. Hunter Grubb, General Motors, dated January 31, 1923.

(Said Government's Exhibit No. 443 was thereupon read to the Court.)

Mr. Cox: May it please the Court, I think that Mr. Kramer by inadvertence was misled by the two letters opposite Mr. Grubb's name and described him as an employee of General Motors.

In fact, he was an employee of the du Pont Company.

Mr. Kramer: Thank you. I did.

The Government next offers Exhibit No. 444.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 444.)

Mr. Kramer: This is a letter from H. H. Rice on the letterhead of the Cadillac Motor Car Company, Detroit, Michigan, to Mr. Lammot du Pont, of the du Pont Company, Wilmington, dated January 29, 1923.

(Said Government's Exhibit No. 444 was thereupon read to the Court.)

Mr. Kramer: The Government next offers Exhibit No. 445.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 445.)

Mr. Kramer: This is a letter from Lammot du Pont, Vice-[fol. 934] President, to Mr. H. H. Rice, General Manager, Cadillac Division, Detroit, Michigan, dated February 5, 1923.

(Said Government's Exhibit No. 445 was thereupon read to the Court.)

Mr. Kramer: The Government next offers Exhibit No. 446.

(Said exhibit, so offered and received in evidence, was thereupon marked as Government's Exhibit No. 446.)

[fol. 935] Mr. Kramer: The Government next offers Exhibit No. 447, which is a letter from Lammot du Pont, Vice President, to the Cadillac Motor Car Company, Detroit, attention Mr. Widman, with a copy to Mr. H. Grubb, recently identified by Mr. Cox, dated May 5, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 447.)

(Said Government's Exhibit No. 447 was thereupon read to the Court by Mr. Kramer.)

Mr. Kramer: The Government next offers Exhibit No. 448 which is a letter, dated May 21, 1923, from the Cadillac Motor Car Company, S. W. Widman, Manager of Manufacturing, to Mr. Lammot du Pont of the du Pont Company, Wilmington, Delaware.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 448.)

(Said Government's Exhibit No. 448 was read to the Court by Mr. Kramer.)

[fol. 936] Mr. Kramer: Following the letter is a note apparently addressed to Mr. Grubb: "Please note and return" signed by L. du Pont. The date of the note is May 26, 1923.

The Government next offers Exhibit No. 449, being a let-



ter from Mr. Lammot du Pont to Mr. W. S. Widman, Cadillac Motor Car Company, dated May 26, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 449.)

(Said Government's Exhibit No. 449 was thereupon read to the Court by Mr. Kramer.)

Mr. Kramer: The Government next offers Exhibit No. 450, being a letter from Mr. Lammot du Pont to Mr. L. P. Fisher, Detroit, Michigan, copy to Mr. W. P. Allen, Fabrikoid Department, dated February 25, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 450.)

(Said Government's Exhibit No. 450 was thereupon read to the Court by Mr. Kramer.)

Mr. Kramer: The Government next offers Exhibit No. 451, being a letter from W. P. Allen on the letterhead of the du Pont Company, Wilmington, Delaware, Cellulose Products Department, addressed to Mr. Lammot du Pont, Vice President, dated March 9, 1923, with the caption "Fisher Body."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 451.)

(Said Government's Exhibit No. 451 was thereupon read to the Court by Mr. Kramer.)

[fol. 937] Mr. Kramer: The Government next offers Government's Exhibit No. 452, a letter from Lammot du Pont, Vice President, to Mr. L. P. Fisher of Fisher Body Corporation, in Detroit, Michigan, dated March 10th, 1923.

(Said Government's Exhibit No. 452 was thereupon read to the Court by Mr. Kramer.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 452.)

Mr. Houchins: The Government next offers Government's Trial Exhibit No. 453, consisting of the excerpts from Minutes of a Meeting No. 18 of Interdivisional Relations Committee—General Purchasing Committee of the General

Motors Corporation. The subject is indicated as being "Duco".

. . . . .

[fol. 938-940] Mr. Houchins: The Government next offers Government's trial Exhibit No. 454 which is a covering memorandum and report. It is from the Paint, Lacquer & Chemicals Department of du Pont to the Executive Committee. The covering memorandum is dated July 24th, 1925.

[fols. 941-943] Mr. Houchins: The Government next offers Government's trial Exhibit No. 455, a letter to Mr. J. L. Pratt on the letterhead of the du Pont Company dated March 22nd, 1924. It is from Mr. W. F. Harrington:

(Said Government's Exhibit No. 455 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 455.)

Mr. Houchins: The Government now offers Government's Exhibit No. 456, which is a reply to Mr. Harrington from J. L. Pratt, dated March 26th, 1924, reading as follows:

(Said Government's Exhibit No. 456 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 456.)

Mr. Houchins: The Government now offers Government's trial Exhibit No. 461, which is the minutes of the meeting of the Interdivisional Relations Committee of General Motors Corporation, held August 12, 1926. marked Government's Exhibit No. 460.)

. . . . .

[fol. 944] Mr. Ford: We next offer Government's Exhibit No. 460, which is a memorandum from Lamot du Pont to P. S. du Pont and J. J. Raskob.

(Said exhibit, so offered and received in evidence, was [fol. 945] Mr. Ford: We next offer Exhibit No. 462.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 462.)

Mr. Ford: This is a letter from W. P. Allen to Mr. James Lynah, dated September 23, 1926, and marked "Personal and Confidential."

(Said Government's Exhibit No. 462 was thereupon read to the Court.)

Mr. Ford: We next offer Exhibit No. 463, a letter from W. P. Allen to James Lynah, dated September 23, 1926, marked Personal & Confidential.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 463.)

[fol. 946] (Said Government's Exhibit No. 463 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Exhibit No. 464, which is a letter from James Lynah to W. P. Allen, dated September 30, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 464.)

(Said Government's Exhibit No. 464 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Government's Exhibit No. 465, which is a letter from W. P. Allen to Mr. James Lynah, dated October 2nd, 1926.

(Said Government's Exhibit No. 465 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 465.)

Mr. Ford: We next offer Exhibit No. 466, which is a letter from W. P. Allen to Mr. Lamot du Pont, dated October 2, 1926, marked "Confidential," and "Subject, Confidential Discount Arrangement with General Motors Group."

(Said Government's Exhibit No. 466 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 466.)

[fol. 947] Mr. Houchins: The Government's next exhibit is Government's Exhibit No. 470, being a letter to Mr. Alfred P. Sloan, President, General Motors Corporation, from Mr. Lammot du Pont, dated October 28th, 1926:

(Said Government's Exhibit No. 470 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 470.)

Mr. Houchins: The Government next offers Government's trial Exhibit No. 471 a letter to Mr. Lammot du Pont, President of E. I. du Pont de Nemours and Company, from J. L. Pratt, Vice President of General Motors Corporation, dated October 29, 1926, and written in reply to the document just introduced.

(Said Government's Exhibit No. 471 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 471.)

Mr. Houchins: The Government next offers Government's trial Exhibit No. 472, which is apparently the enclosed letter referred to by Mr. Pratt in the previous document. It is a letter to Mr. Ed Fisher of the Fisher Body Corporation, Detroit Michigan, from J. L. Pratt, Vice President, dated October 29th, 1926.

(Said Government's Exhibit No. 472 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 472.)

[fol. 948] Mr. Houchins: The Government next offers Government's trial Exhibit No. 475, a letter from Alfred P. Sloan, Jr., President of General Motors Corporation, to Mr. Lammot du Pont, President of the du Pont Company, dated November 8th, 1926.

(Said Government's Exhibit No. 475 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 475.)

Mr. Houchins: The next Government exhibit is trial Exhibit No. 476 which the Government offers, a letter from E. F. Fisher, to Mr. John L. Pratt, General Motors Corporation, dated November 12th, 1926.

(Said Government's Exhibit No. 476 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 476.)

Mr. Houchins: The Government next offers trial Exhibit No. 477. This is a letter from Vice President, apparently J. L. Pratt of the General Motors, to Lamot du Pont, President of du Pont Company, dated November 15th, 1926.

(Said Government's Exhibit No. 477 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 477.)

[fol. 949] Mr. Houchins: The next that the Government offers is Government's trial Exhibit No. 478, which is a letter from Lamot du Pont, President of the du Pont Company, to Mr. W. P. Allen, dated November 16th, 1926.

(Said Government's Exhibit No. 478 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 478.)

Mr. Houchins: We now offer Government's trial Exhibit No. 479, being a letter from Lamot du Pont, President of the du Pont Company, to John Pratt, Vice President General Motors Corporation, dated December 17th, 1926.

(Said Government's Exhibit No. 479 was thereupon read to the Court by Mr. Houchins.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 479.)

Mr. Houchins: Government next offers Government Trial Exhibit No. 467, which is an excerpt from the December 23, 1926, monthly report of the Paint, Lacquer & Chemical Department.



(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 467.)

[fol. 950] Mr. Houchins: The excerpt reads as follows:

(Said Government's Exhibit No. 467 was thereupon read to the Court.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 468.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 468.)

Mr. Houchins: This is also an excerpt from a report to the Executive Committee of the du Pont Company from the Paint, Lacquer and Chemical Department: The report is for the month of December, 1926.

(Said Government's Exhibit No. 468 was thereupon read to the Court.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 469.)

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 469.)

Mr. Houchins: This is an excerpt from the minutes of the meeting of the Inter-Divisional Relations Committee—General Purchasing Committee, held on January 26, 1927.

Under the sub-heading of Duco and Duco Thinner, we read the following:

(Said Government's Exhibit No. 469 was thereupon read to the Court.)

[fols. 951-954] Mr. Ford: We next offer Government's Exhibit No. 492, and wish to read parts of it.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 492.)

[fols. 955-957] Mr. Ford: We next offer Government's Exhibit No. 494, which is a letter from James Lynab, with a carbon copy to J. L. Pratt, addressed to G. G. Allen, W. F. Armstrong, D. F. Hulgrave, W. E. Kreitzer, C. O. Miller, D. P. O'Keefe and J. T. Stratman, dated July 12, 1928; marked Confidential.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 494.)

(Said Government's Exhibit No. 494 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Government's Exhibit No. 495, which is a letter from William Richter to Mr. James Lynah, dated July 10th, 1928, marked "Personal and Confidential." Copies are indicated to J. T. Stratman, George Allen, D. J. O'Keefe, C. O. Miller, D. F. Hulgrave and E. C. Beichler of the Frigidaire Corporation:

(Said Government's Exhibit No. 495 was thereupon read to the Court by Mr. Ford.)

[fol. 958] Mr. Harsha: I should now like to call Mr. Lawrence Fisher.

May it please the Court, Mr. Fisher is a Director of the General Motors Corporation, and I should like to have permission to examine him as an adverse witness, pursuant to Rule 42(b) of the Federal Rules.

Mr. Hurd: No objection, if the Court please. I think the plaintiff is clearly entitled to do that.

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LAWRENCE FISHER, called as an adverse witness by the Government, having been first duly sworn, was examined and testified as follows:

Direct examination,

By Mr. Harsha:

Q. State your name, please.

A. Lawrence P. Fisher.

Q. Where do you live?

A. Detroit, Michigan.

Q. What official position, if any, do you now hold with the General Motors Corporation?

A. I have no official position, only a Director of General Motors.

Q. How long have you been a director of General Motors?

A. I think since 1924, if my memory serves me.

Q. Have you been a director consecutively since that time?

A. That's right.

Q. What other official positions, if any, have you held with General Motors?

A. Previously?

Q. During the period say from 1924 to date.

A. Well, I was on the Executive Committee. I think I [fol. 959] went on the Executive Committee of General Motors, I think in 1924, and in 1925 I became president of the Cadillac Motor Car Company, and until 1934—and in 1934 I was then brought on the central staff, taken on the central staff under Mr. Knudsen as group executive which took in Fisher Body Corporation, and at that time the Art and Color Section which is now called the Styling Section, which has to do with all of the designing of the General Motors products.

Q. I don't want to tax your memory on official dates, that is the dates of your various official positions, Mr. Fisher, but I show you Government's Exhibit No. 177 which is now in evidence, and if you will note here, there have been drawn in pencil lines, and the dates indicated, and I shall read them to you and ask you if that coincides with the best of your recollection.

As shown by Exhibit No. 177, Lawrence P. Fisher was a director from September 25th, 1924, to the date of this document, which was 1948, and vice president from February 9th, 1925, to August 7th, 1944; a member of the Administration Committee from May 2nd, 1937, to May 4th, 1942, and a member of the Executive Committee from September 25th, 1924, to May 3rd, 1937.

Do you want to examine that?

A. I guess that's right.

Q. Prior to the time that you became employed by the General Motors Corporation, what had been your previous employment, if any?

A. Well, do you want me to tell you how I started, my first job?

Q. I think perhaps that would be more connected that way, sir. Please proceed.

A. I first came to Detroit when I was sixteen years old. I went to work at that time with the C. R. Wilson Body Com-

[fol. 960] pany who at that time were building automobile bodies, that started, and building carriage bodies. That had been their business previous to that, and I was with Wilson from, I think, if my memory serves me, I came to Detroit in 1905. I was then, I think, sixteen years old, and I worked at Wilson's until we formed the Fisher Body Company.

Q. When was that, sir?

A. 1908.

Q. Is that a Detroit corporation?

A. A Detroit, Michigan, corporation.

Q. Located in Detroit?

A. That's right.

Q. And when you say "we formed," were you personally one of the incorporators?

A. No, but when I say "we," you know I am always talking about my brothers and myself, you see. So when I say "we," why—

Q. Now, so we get this in the record, you are one of the renowned automobile Fisher brothers?

A. That's right.

Q. Could you tell us what the names of your other brothers are?

A. Well, there were seven brothers, two of which have passed on. We have Charles T. Fisher—

Q. Pardon me for interrupting, but will you indicate to us as you name them, whether they are still living?

A. Yes.

F. J. Fisher is dead; C. T. Fisher is living; W. A. Fisher is living, and Mr. E. F. Fisher is living; Mr. A. J. Fisher is living, and I think I am.

Q. I am not sure that I am.

A. And brother Howard A. Fisher—he is dead.

Q. Now, you say that you formed the Fisher Body Corporation in 1908, is that correct?

A. What is that?

Q. I say, you say that the Fisher Body Corporation was formed in 1908?

A. That's right.

[fol. 961] Q. Were your other brothers interested in this corporation?

A. Not at that time.

Q. When did any of your brothers become interested in the Fisher Body Corporation?

A. Do you mean as officers?

Q. Yes, sir.

A. I think we became at first officers, I think it was when the Fisher Closed Body Company was formed, and that was in '10, and I think I went on that Board at that time. We had the first company that was formed in Fisher Body, was the Fisher Body Company, and following that we in Fisher bodies, we built bodies in the white—that was the custom in those days, the body builders built the bodies, and we sent them out to another company at that time. At that time it was the Everett Company that did the painting and trimming. These were open bodies, you understand, and without their tops, and that was the nature of the business at that time.

Following that we organized the Fisher Closed Body Company which was either 1910 or 1911, and where we started to build closed bodies for the industry, and we painted and trimmed those, and we never did sell a body that was not painted and trimmed. That was the first time it had been done in the industry.

Q. Was there any corporate change in the years ensuing after 1910 or '11—any corporate change in the Fisher Closed Body Corporation?

A. No.

Q. Was that the name of the corporation?

A. Fisher Body and Fisher Closed Body Company. There were two separate companies.

Q. Could you explain the relationship there? Could you explain briefly what the relationships were between the two companies?

A. Well, there was a difference in stock ownership, if that is what you want.

[fol. 962] Q. Were the officers similar?

A. Similar, yes.

Q. Who was the president of the companies, do you recall?

A. Fred J. Fisher.

Q. What position did you occupy, if any?

A. I was factory manager of the Fisher Closed Body Company, assistant general manager.

Q. You were not an officer?



A. No. I was a director, if I remember right.

A. You were a director?

A. Yes.

Q. Were you a stockholder?

A. I was a stockholder, but not in the original Fisher Body. I was no stockholder then. I was sixteen years old.

Q. Do you recall whether your other brothers were stockholders in the Fisher Closed Body Corporation?

A. Oh, yes.

Q. They were all stockholders?

A. Oh, no, no. Just brother Fred and brother Charlie and myself.

Q. Do you recall approximately, sir, what the total outstanding voting stock of the Fisher Closed Body Corporation was in 1911?

A. You mean at what the company was capitalized?

Q. I mean the number of shares.

A. No, I couldn't tell you that now. If my memory serves me, I think we put in \$125,000, the original capital in the Fisher Closed Body Company.

Q. Do you recall whether you and your two brothers who were stockholders had a majority of the outstanding stock in the Closed Body Company?

A. Yes, we had the controlling interest—that is in the Fisher Closed Body Company now.

Q. Yes, and the other corporation was named the Fisher Body Corporation?

A. Fisher Body Company.

[fol. 963] Q. Fisher Body Company?

A. Yes.

Q. Did there come a time when these two corporations were merged?

A. Yes. Well, in the meantime we organized the Fisher Body Company of Canada. That was another company. Then the three companies were merged in 1916—I think that is the year—under the name of the Fisher Body Corporation.

Q. Was that a New York corporation?

A. Delaware.

Q. Were all of your brothers stockholders in this new corporation, the Fisher Body Corporation?

A. They finally became stockholders.

Q. It was formed, I understand, in 1916?

A. Yes.

Q. Were they as of that time all stockholders?

A. No, but shortly afterwards they were.

Q. Within say a year?

A. Two years.

Q. So that as of two years later there were then what, six or seven of you?

A. Six.

Q. Six of you who were stockholders?

A. My younger brother had nothing to do with the business.

Q. Who was the president of this new company?

A. F. J. Fisher.

Q. Were you an officer?

A. I was a director.

Q. Were you an officer, too?

A. Vice-President, I think.

Q. In charge of what?

A. I was the vice-president, in charge of the Fisher Closed Body Company at that time.

Q. Were your other brothers, any of them, directors in addition to yourself and Fred Fisher?

A. No.

Q. None of them were directors?

A. No.

Q. Were any of them officers?

A. No.

Q. Do you recall, Mr. Fisher, as of 1919 what position, [fol. 964] if any, you had in the Fisher Body Corporation?

A. I had the same position.

Q. You were vice-president and director?

A. That is right. That is, of Fisher Body Corporation.

Q. Could you tell us who Mr. Aaron Mendelssohn was, in connection with the Fisher Body Corporation?

A. Mr. Aaron Mendelssohn was the secretary of Fisher Body.

Q. Did any change in the ownership of the Fisher Body Corporation take place in or about 1919; if you recall?

A. Yes, that is right.

Q. Do you recall the circumstances under which that occurred?

A. Sure.

Q. Could you tell us briefly what took place at that time?

A. What took place—now you mean?

Q. In 1919:

A. You mean the negotiations you are talking about now?

Q. Yes. I mean there was some change in the ownership. Could you tell us what that was?

A. Are you referring now to General Motors?

Q. Yes, sir.

A. All right. Well, let me say this first. I think if you will let me take one minute here, your Honor, to give you a little background.

In 1910 or 1911, when the Fisher Closed Body Company was formed, at that time no automobile companies had a closed car in their line. In the meantime, we had introduced Fisher closed bodies on all the leading car manufacturers, which started out with Cadillac first, and Buick, and Hudson, and Chalmers, and Studebaker, and Chandler, and Cleveland, at that time, which were at that time a very good company.

Then finally Ford—we introduced Fisher closed bodies on the Ford chassis. Then after the war—in the meantime, [fol. 965] the industry had been using what at that time they called winter tops. Maybe you remember back to when they used winter tops, and all, which were very unsatisfactory.

As the engines got where you could start them in the winter, when people were driving their cars all the year around, the closed car became a factor in the business. So by the time after the war, there was a built up demand for closed bodies way beyond anything that we had anticipated. Our capacity, of course, was divided up among all of these manufacturers, and only Buick and Cadillac were using Fisher closed bodies at the time. We couldn't take on the other business. We hadn't the capacity.

In the meantime, Chevrolet and Olds and Oakland at that time, which is now the Pontiac Company, at that time they were getting what few closed bodies they could get from sources of supply that apparently were very unsatisfactory. In fact, one of the companies was buying them from a wagon works at Toledo.

So it became very apparent that between our capacity which at that time we thought was pretty big because we had practically all the business, that it became more evident

to Mr. Durant and the Car Divisions that the way the growth of the closed body and public demand was increasing, that General Motors would have to get themselves in a position to take care of the business. They knew that Ford had quite a big part of our capacity, but mind you, at the same time, we were building open bodies for all these companies, too.

You see, this is on the other side. So Mr. Chrysler, who previously had been president of the Buick Company, had been called to New York by Mr. Durant; he came out to Detroit to see me and told me that Mr. Durant wanted to [fol. 966] interest the four younger brothers, that is, myself and two younger brothers and one older.

Q. Will you identify those four brothers to keep them in mind?

A. Mr. A. J. Fisher, Mr. E. F. Fisher, Mr. W. A. Fisher, and the reason for this—that they did not go to my brother Fred was in 1916, when we merged the three companies, and we refinanced the Fisher Body Corporation or Fisher Body, that my two brothers, brother Fred and Charlie, made a contract, a ten year contract, employment contract, whereby they could not go into the body business; they could not go into the automobile business, with all the restrictions, you know, that bankers put around a contract in a deal of that kind.

Q. Could we pause there just for a second? I show you Government's Exhibit No. 430. Is that the contract you are referring to? I think you will find it on the back of the page.

A. Yes, that is it.

Q. That was to continue your brother as president for a period of ten years from 1916?

A. Yes, sir.

Mr. Hurd: May it please the Court, I believe both counsel and the witness are confused. I believe that is the 1919 contract, which is an amendment of the 1916 contract.

Mr. Harsha: The 1916 is attached here.

Mr. Hurd: You are referring to the exhibit?

Mr. Harsha: Yes.

Mr. Hurd: All right.

The Witness: That is the contract.

Mr. Cox: That is Schedule A.

The Witness: Then I—

By Mr. Harsha:

Q. Now, let me see. May I interrupt you. I don't want to cut off your answer, but I want to go back and say in 1919 General Motors Corporation entered into negotiations [fol. 967] with the Fisher Body Corporation for the purchase of its stock or some of it?

A. That is right.

Q. At that time, isn't it correct that the capitalization of the Fisher Body Corporation was increased from 200 to 500,000 common shares?

A. That is right.

Q. Of which 300,000 was sold to General Motors?

A. That is right.

Q. Isn't it a fact that at that time the 300,000 shares purchased by General Motors were placed in a voting trust together with 35,000 shares owned by some of the Fishers?

A. I think that is correct.

Q. I show you Government's Exhibit No. 429 which have been introduced. I believe that is the voting trust agreement, isn't it?

A. That is right.

Q. Do you recall who those trustees were?

A. No.

Q. I should like to direct your attention to Paragraph 4 on page 7 of that document, Mr. Fisher. Do you find that?

A. Page what?

Q. Page 7.

A. Yes.

Q. In which it states:

"On the first day of October, 1924, or whenever, earlier, the Voting Trustees in their discretion shall decide to make such delivery, the Voting Trustees in exchange for, and upon surrender of, any Voting Trust Certificate then outstanding will, in accordance with the terms thereof and subject to Article Seventh hereof, deliver, at their office or agency in the Borough of Manhattan, in the City of New York, certificates of stock of Fisher Body Corporation, aforesaid, to the amounts and of the class called for by the respective Voting Trust Certificates, and may require the holders of the Voting Trust Certificates to exchange them for



[fol. 968] such certificates of stock, subject, however, to the redemption of preferred stock by the Company in accordance with the terms of the certificates for such stock."

I am not reading the rest.

In connection with this paragraph do you recall whether, in fact, the Voting Trust agreement ended on October 1, 1924?

A. Yes, that is right, I think.

Q. Do you recall whether there were any of the shares which had been deposited with the Voting Trustee which remained subject to their control after October 1, 1924?

A. I don't remember.

Q. I should like to show you, sir, Government's Exhibit No. 431. I think it is the second paragraph there. You first note the date of that letter? Will you tell what it is?

A. February 11, 1925.

Q. That is later than the date provided, isn't it, for the termination of the Voting Trust?

A. Yes.

Q. Is it fair to assume from the contents of that letter that there were still some shares of the Fisher Body stock still subject to the Voting Trusteeship?

A. That I could not tell you.

Q. You don't recall about that?

A. I don't recall it.

Q. Do you recall having seen this letter before?

A. No.

Mr. Harsha: If your Honor please, I should like to read once again the terms of this letter so that we may connect it up.

The Court: It may be read.

Mr. Ford: This is Government's Exhibit No. 431. I am unable to read the signature. Do you have the printed copy?

Mr. Harsha: It is Plumb.

[fol. 969] Mr. Ford: This is from Mr. Plumb, and is on the stationery of the Bankers Trust Company. It is addressed to Mr. Fred J. Fisher, Mr. Louis Mendelssohn, Mr. John J. Raskob, Mr. Pierre S. du Pont, described as Voting Trustees, Fisher Body Corporation.

It bears date February 11, 1925.

"Gentlemen: Attention: Mr. John J. Raskob.

"According to the terms of the Voting Trust Agreement dated November 14, 1919, it is provided that on October 1, 1924 the holders of the Voting Trust certificates issued under such agreement will be entitled to receive a certificate or certificates for no par value common stock of the Fisher Body Corporation in exchange for voting trust certificates.

"Article Fourth of the Voting Trust Agreement provides for the deposit by the Trustees of the stock, duly endorsed for transfer with some bank or trust company in New York, with authority to such depository to make delivery thereof in exchange for Voting Trust Certificates. As your Agent we now hold the stock certificates, but which have not been endorsed by you as Voting Trustees.

"As several holders of Voting Trust Certificates are endeavoring to have their Voting Trust Certificates exchanged we would thank you to advise and direct us in the premises."

Mr. Harsha: Going back to the Voting Trust just a moment, Mr. Fisher, do you recall that under the Voting Trust, the stock which was placed in the Voting Trust was to be voted only by the unanimous vote of the four trustees?

A. I don't remember that.

[fol. 970] Q. You do not recall that?

A. No. That is thirty years ago.

Q. Do you have any recollection as to whether the trustees did in fact vote that stock?

A. No.

The Court: What is the answer?

By the Witness:

A. No, I don't remember.

The Court: Answer orally, because the Reporters have to take it down.

By Mr. Harsha:

Q. Did you personally place any of your own stock interest in the Fisher Body Corporation in this voting trusteeship?

A. No.

Q. You did not?

A. No.

Q. Isn't it a fact that the Fisher Body management maintained control of the Fisher Body Corporation during the period this voting trusteeship was in existence?

A. You mean the operating control?

Q. Yes, sir.

A. That's right.

Q. And that that continued at least as of the date of October 1st, 1924?

A. That's right.

Q. Did that control by the management continue after 1924, sir?

A. Yes, sure.

Q. How long did that continue, if you recall?

A. Why—say that again, will you?

(Question read.)

By the Witness:

A. Well, it was a control that still stayed in the hands of the Fisher—my—two years later I was taken out of Fisher Body and brother Fred and I, and moved into General Motors, and it left C. T. and E. F. and A. J. and W. A. in charge of the operations of Fisher Body Corporation.

By Mr. Harsha:

Q. Now, let me see if I can get this transaction straight in my own mind, sir. I want to get it straight.

[fol. 971] As I understand it, you left the Fisher Body Corporation in 1924 to go over to Cadillac, is that right?

A. 1925.

Q. 1925?

A. I think that's right.

Q. And thereafter the Fisher Body was operated by your other three brothers, is that right?

A. Yes, it became a division of General Motors after that.

Q. And they remained in the—

A. The Fisher Body Corporation then was a division just the same as the Cadillac Motor Car Division or Chevrolet Division.

Q. Now, in 1926 there was a further purchase of Fisher Body stock by General Motors, was there not?

A. That's right.

Q. They bought up all of the outstanding stock, didn't they?

A. That's right.

Q. And took over the assets of the Fisher Body?

A. That's right.

Q. And then it became a division?

A. That's right.

Q. Going back for just a moment, sir, to Government's Exhibit No. 430 which I have shown you previously, you will recall I showed you the schedule A attached, which is a copy of the original agreement of August, 1916, between your brother Fred and the Fisher Body Corporation, providing for his employment as President of Fisher Body Corporation for a ten year period.

A. Yes.

Q. Did you have any employment arrangement similar to this with the Fisher Body Corporation in 1916?

A. Did we have an employment contract?

Q. Yes, did you?

A. No.

Q. You did not?

A. No.

Q. Did you enter into any such contract in 1919?

A. Yes.

[fol. 972] Q. When General Motors bought the 60 per cent interest?

A. Yes, we entered into a contract before General Motors bought any interest in Fisher Body.

Q. Was that a condition of the purchase, a condition of the sale of the 60 per cent interest?

A. Was that a—

Q. Was that a condition? Do you understand what I mean?

A. Yes.

Q. Was that a condition precedent before you would sell 60 per cent of the Fisher Body Corporation to General Motors, that you have such an employment contract?

A. Well, that was, of course, when the corporation bought

60 per cent of Fisher, the contracts that had existed had to be carried out. They were made in 1916.

Q. Yes, and I understand it, as I understand it, you entered into one yourself in 1919?

A. That's right. That was a five year contract.

Q. Five years. Did you have any option of renewing that?

A. No.

Q. Did this contract terminate then in 1924?

A. Right.

Q. Were you given a similar contract in 1924 for another five year period?

A. No.

Q. You went over to Cadillac soon thereafter, didn't you?

A. That is right.

Q. Do you know whether your brother, W. A. Fisher, entered into an employment contract in about 1924?

A. No.

Q. You have no recollection of that?

A. No. We all contracted together, you know, the four of us made one contract, and F. J. and C. T. made a contract at the same time.

Q. I see. The four of you were parties to this one employment contract, is that right?

A. That is right.

[fol. 973] Q. And that ran until 1924?

A. That is right.

Q. Then a week before the expiration of the voting trusteeship, you were elected to the Board of Directors of General Motors, isn't that right?

A. I guess that is about right. I don't know that that is the timing or not, but I was elected a director.

Q. Let me just refresh your recollection, sir, if I may. I think you recall your previous testimony was that the voting trusteeship was to terminate on the 1st of October, 1924. I show you the listing here opposite your name, which indicates that on September 25, 1924, you were elected a director of General Motors.

A. Yes.

Q. Is that right?

A. Yes.

Q. So that just a week before the termination of that vot-



ing trusteeship, were you placed on the Board of Directors, isn't that correct?

A. Yes, I guess that is right.

Q. You have indicated in your previous testimony, Mr. Fisher, that in 1926 the remaining Fisher Body stock was purchased by General Motors, I believe?

A. Right.

Q. Were there any employment arrangements entered into between General Motors and any of your brothers about that time, do you recall?

A. No, we entered into no employment contract afterward.

Q. It is a fact, however, that your brother W. A., William A. Fisher, remained as president and general manager of Fisher Body Division, isn't that correct, after it was absorbed by G. M.?

A. That is right, yes, that is right.

Q. Do you recall approximately how long he remained as president and general manager of that division, Fisher Body?

A. No.

[fol. 974] Q. I think we may have that——

A. I can't tell you that. Too many Fishers to watch there.

Q. I see that his position, William A. Fisher as vice-president of G. M., terminated May 4, 1942. Would that be approximately the time?

A. Approximately, yes, that is right.

Q. That he ceased being the president and general manager of Fisher Body Division?

A. Yes.

Q. I am just a little bit confused on one answer, Mr. Fisher. I am not trying to trip you, but I want to get it clear. As I understand it, there was one employment contract entered into by you and three other of your brothers as signatories?

A. Yes.

Q. With Fisher Body Corporation, is that right?

A. Fisher Body Corporation.

Q. In 1924, is that right, or was that earlier?

A. No, we made no—the contract we made, as I remember, was in 1918.

Q. 1918, for how long a period?

A. That was our original contract for five years, as I remember.

Q. I didn't hear you. Did you tell me how long that ran?

A. For five years.

Q. Did you enter into any similar sort of arrangement at the end of that period with either Fisher Body or General Motors?

A. Then when we entered into this deal where General Motors bought 60 per cent of the holdings of Fisher Body, we made, if my memory serves me right, we made a new contract, the six of us, that expired all at the same time, in 1924.

Mr. Fred Fisher's and Mr. C. T. Fisher's contract that was made in 1916 ran until 1926, and that was changed. That was changed.

[fol. 975] Q. Do you recall approximately when?

A. What is that?

Q. Do you recall approximately when that was changed?

A. It was changed when we made the deal with General Motors.

Q. In 1919, is that right?

A. That is right.

Q. As I understand it, the employment contracts for all six of you, although they were in separate documents, two documents, all were termed to expire approximately October 1st, 1924?

A. I think that is right.

Q. Do you recall whether Mr. W. A. Fisher had any carry-over or new contract?

A. No.

Q. As of 1924?

A. No.

Mr. Harris: What is the answer—that he doesn't recall?

By Mr. Harsha:

Q. You don't recall?

A. No, no, only one contract was ever made, one employment contract with General Motors.

Q. I show you now, Mr. Fisher, Government's Exhibit No. 427 which has been introduced previously.

May we have some help from counsel here as to the authorship of this document? I believe it is Mr. Raskob but I am not sure. Can you inform me, Mr. Hurd, as to the authorship of Exhibit No. 427?

Mr. Hurd: No, I don't know anything more about it than you do.

By Mr. Harsha:

Q. It is addressed to Mr. F. J. and Charles T. Fisher. Would you read the last sentence aloud, sir, so we all know what we are talking about?

A. "At the same time your present contracts of employment are to be so modified as to give you the option of terminating the same at the end of five years."

[fol. 976] Q. What is the date of that letter?

A. September 25, 1919.

Q. As I understand it, am I correct in assuming that you had the option of terminating at the end of five years on your employment contract?

A. That is right.

Q. And if you did not exercise that option; would it automatically thereafter continue?

A. No.

Q. It would not?

A. I don't think so. My understanding was at the time that we went into a five year deal with General Motors.

Q. I show you also Government's Exhibit No. 428, Mr. Fisher, which is an announcement by the Fisher Body Corporation to the holders of its preferred and common stock, dated October 18th, 1918, and signed by your Brother Fred J. Fisher.

I would like to draw your attention, sir, to the paragraph beginning right here. Would you read that aloud so we will all know what we are talking about?

A. "A voting trust will be created which will insure for at least five years from October 1, 1919, the continuity of the present operating management, and of the other features of the proposed transaction outlined above.

"Your directors have no hesitation in expressing their gratification of the proposed arrangement, and in

urging all the holders of stock, preferred as well as common, to approve the increase of capital, and the amendments of the certificates of incorporation and by-laws referred to in the accompanying notice of meeting."

Q. I am sorry. I only wanted to call your attention to the first paragraph.

[fol. 977] You notice in that announcement to the stockholders it states: "That the voting trust will insure for at least five years." Do you recall whether there was any contemplation by you that there was to be another arrangement entered into at the end of five years which would continue the same management?

A. No; no.

Q. Mr. Fisher, if my recollection is correct, one week before the voting trust arrangement came to an end, according to its terms, you were made a member of the board of directors of General Motors. Do you remember that exhibit I showed you where you went on the 25th of September?

A. Right.

Q. And you also recall on the same day, that on September 25th, 1924, you also became a member of the Executive Committee of General Motors?

A. That is right.

Q. Was it brought to your attention while you were serving on either of those two bodies that the General Motors Corporation had received voting control over the 60 per cent of the stock which you had had in this voting trust up to October 1st, 1924?

A. No, I don't remember that. I don't remember anything about that, any part of that.

Q. Do you recall when General Motors began to vote the 60 per cent interest in the Fisher Body Corporation?

A. Yes.

Q. Would you tell us when that was?

A. I can't explain that to you.

Mr. Harsha: Your Honor, would it be convenient with you if we had a short recess?

The Court: The Court stands recessed for fifteen minutes.

(Recess taken.)

[fol. 978] By Mr. Harsha:

Q. Mr. Fisher, I want to show you Government's Exhibit No. 426, and this deals with the negotiation back in 1919 when General Motors bought 300,000 shares of Fisher Body Corporation, and I am reading to you on the first page of this document—this is a letter addressed to the General Motors Corporation, and our copy is unsigned but from the context of the letter, it is apparent it is from the Fisher interests.

In the second paragraph it states:

“We own or control at present approximately 140,000 shares or 70 per cent of the outstanding 200,000 shares of no par value common stock in the Fisher Body Corporation.”

Now, I think I asked you previously about the fact that the Fisher interests, so-called, at the time when the voting trust arrangement was created in this year, 1919, that in addition to the 300,000 shares of Fisher Body common which General Motors purchased, the Fisher interests placed 35,000 shares of their common stock in this voting trust agreement. Do you recall that?

A. Yes.

Q. So, when we deduct the 35,000 shares from 140,000 shares, which this letter states the Fisher Body interests controlled, we have left, outside of the voting trust agreement, 105,000 shares, out of the 200,000 shares which are outside of the voting trust agreement.

Do you follow my arithmetic?

A. That is right.

Q. So that after the voting trust agreement was set up, the Fisher interests still controlled the management of the [fol. 979] Fisher Body Corporation because they had 105,000 out of the 200,000 shares, is that correct?

Mr. Hurd: Object to that as argumentative and calling for a conclusion, if the Court please.

The Court: I think it calls for a conclusion. I sustain the objection.



By Mr. Harsha: -

Q. I now want to call your attention, Mr. Fisher, to Government's Exhibit No. 429 which I showed you previously, which is a copy of the voting trust agreement.

On page 3 of this document in the Preamble, it is stated:

"Whereas, in order to secure continuity of management and policy of the company, it is deemed desirable that the stockholders deposit their stock with the voting trustees hereunder."

Do you recall whether there were any other purposes behind the creation of the voting trust agreement?

A. No.

Q. It was to continue the continuity of management as it then existed?

A. That is right.

Q. Do you recall, Mr. Fisher, whether, in fact, the 35,000 shares of the Fisher Body Company common were deposited by the Fisher interests in this voting trust agreement?

A. Well, I could not say how that was split up. I know there were 35,000 shares of stock put in this voting trust, but that is all I can tell you today.

Q. At the time this document was written, No. 426, September 25th, 1919, Mr. Fisher, were you an owner of any [fol. 280] of the Fisher Body common stock? That was September, 1919.

A. Yes, I am sure, yes.

Q. Approximately what were your holdings, do you recall?

A. No, I couldn't say that. I can't say that today.

Q. Did you continue to hold your stock of unrecalled amount until the General Motors Corporation purchased the outstanding 40 per cent in 1926?

A. Yes, and held it and combined some more.

Q. Do you have any idea what your stockholdings were in 1926, immediately prior to their purchase by GM?

A. No, I don't.

Q. You don't recall?

A. I don't recall, no.

Q. Do you recall what you were paid by GM for this Fisher Body stock in 1926?

A. Well, as I remember there was an exchange.

Q. And what did you receive?

A. You mean the amount, what—

Q. Well, first the nature of whatever the article was, and how much of it, if you recall?

A. I can't tell you that.

Q. Well, you know what you received, what sort of thing you received, don't you? Was it General Motors stock?

A. Yes, but I forget whether it was share for share, or just what the final deal was, my memory isn't clear for the minute, just what the final deal was. You have the record of it.

Q. But you are sure, aren't you, Mr. Fisher, that it was General Motors common stock that you got in exchange for your Fisher Body common?

A. Yes, I think that's right.

Q. Now, going back to one point in your previous testimony, Mr. Fisher, I want to get this straight through my [fol. 981] mind, if I can, and that is, as I understand it, the employment contract which your brother, William A. Fisher, had with the Fisher Body Company came to an end about October 1st, 1924, do you recall?

A. Yes.

Q. He was one of the four of you, I believe, all of whom went in on a joint contract?

A. (Indicating yes.)

Mr. Harris: What do you say, sir?

Mr. Hurd: Speak orally.

The Court: Yes, speak up orally.

By the Witness:

A. That's right.

By Mr. Harsha:

Q. And the next year, in 1925, W. A. Fisher became president and general manager of the Fisher Body Corporation, if I recall, is that right?

A. That's right.

Q. Now, at the time when he became president and general manager in 1925, didn't he have some form of employment contract?

A. No.

Q. None with Fisher Body?

A. None.

Q. Did he have any with General Motors?

A. No.

Q. Do you recall what the arrangement was? Was it just an oral day-to-day arrangement for employment?

A. He didn't have any more contract than I had, or Brother Fred had, or any of the other brothers. Why should he have a contract to run Fisher Body?

Q. So he had no written instrument expressing what his responsibilities were toward the Fisher Body Corporation?

A. No; after that Fisher Body Corporation was a division of General Motors.

Q. That was in the subsequent year, wasn't it, 1926?

A. What is that?

[fol. 982] Q. I say, it didn't become a division of General Motors until 1926?

A. That's right.

Q. So I am addressing my question, sir, and perhaps I am not making myself clear, but I am trying to address my question to the period in 1925 when there was still a Fisher Body Corporation, and when your brother, W. A. Fisher, became president?

A. Yes?

Q. (Continuing) Of that corporation, and as I understand your testimony, he didn't have any written employment contract of any sort with either Fisher Body or General Motors?

A. That's right.

Q. Do you recall what his compensation was?

A. What?

Q. Do you recall what his compensation was?

A. No.

Mr. Hurd: I object to that as being immaterial.

The Court: I think that is immaterial. Sustained.

By Mr. Harsha:

Q. Now, one further point on that: At the time that your brother, W. A. Fisher, was made president of Fisher Body Corporation in 1925, you were at that time a member of the

Executive Committee and the Board of Directors of General Motors, is that right?

A. That's right.

Q. Do you recall any resolution having been passed by either of those two bodies concerning the retention of your brother, W. A. Fisher, as president of Fisher Body Corporation?

A. No, I don't remember.

Q. In 1925, were you a director of Fisher Body Corporation? I am not clear.

A. That I can't tell you now.

Q. You don't recall?

A. I can't tell you whether I was a director in 1925 of Fisher Body.

Q. Do you recall whether the Fisher Body Corporation passed any resolution retaining your brother, W. A. Fisher, [fol. 983] as president of the Fisher Body Corporation?

A. No.

Mr. Harris: Is it, "Do you recall;" or did they pass the resolution, which is it? I think the form of the question perhaps may bother him. We want to know, did they pass the resolution.

The Witness: That I don't know. That is a long time ago.

By Mr. Harsha:

Q. It is correct, isn't it, Mr. Fisher, that in 1926 you and some of your other brothers received General Motors common stock for your holdings in Fisher Body Corporation? Isn't that right?

A. That is correct.

Q. By the way, you sold those to du Pont in 1931, didn't you, some of it?

A. Yes, we sold some of the stock to Mr. du Pont—

Q. You sold about 300,000 shares, didn't you, to du Pont?

A. I think that is the figure.

Q. Was some of that your stock?

A. Well, that was stock that belonged to Fisher & Company, our holding company. In Fisher & Company, I at the time owned one-sixth interest.

Q. You had a one-sixth interest?

A. One-sixth, yes.

Q. Did you participate in the negotiations preceding the sale of this block of 300,000 shares to the du Pont Company in 1931?

A. I didn't, personally.

Q. Do you recall who did handle it for the Fishers?

A. Mr. C. T. Fisher and Mr. F. J. Fisher.

Q. Is Mr. C. T. Fisher still alive?

A. He is alive.

Q. Do you know where he lives now?

A. He lives in Detroit, Michigan.

Q. Do you have his address, Mr. Fisher?

A. It is Boston Boulevard. I can't tell you the number.

Mr. Harsha: That finishes our examination, Mr. Fisher.  
[for 984] Thank you.

Mr. Hurd: I have some questions.

Cross-examination,

By Mr. Hurd:

Q. Mr. Fisher, you have referred to the fact that you and three of your brothers obtained employment contracts with Fisher Body Corporation in 1919, five year contracts, is that correct?

A. That is correct.

Q. Were those contracts entered into in connection with negotiations for the investment that General Motors made in Fisher Body?

A. No.

Q. Had they been entered into before that or were they entered into afterward?

A. They were entered into before that.

Q. At the time of the investment by General Motors in 1919, those four contracts and the two earlier ten year contracts were modified, I believe you stated?

A. Right, I believe they were modified.

Q. At whose suggestion was that change in their term, their modification, made?

A. By me.

Q. Did you have any discussion with anyone regarding that subject?

A. Yes.



Q. With whom?

A. We had the discussion with Mr. Durant.

Q. Do you recall about when that was?

A. Well, that was in the spring of 1919, before we made the deal.

Q. Was anybody else present besides yourself and Mr. Durant?

A. No.

Q. Where was this, in Detroit or in New York?

A. New York. Well, I had several talks with Mr. Durant on this matter.

[fol. 985] Q. I am referring to the time when you discussed the change in the terms of the contracts, these employment contracts.

A. Yes.

Q. That was in New York?

A. New York, and in Detroit also.

Q. Did you have more than one conversation with him on the subject?

A. Yes.

Q. How many?

A. Oh, I think we talked to Mr. Durant four or five times about this matter.

Q. Who had the conversations, you and Durant? Was anyone else there?

A. No.

Q. What was the substance of the conversations you had during those occasions?

A. The subject of the conversations was that our position was at that time that four of us that had agreed, we had a five year contract, the four of us younger brothers, let me put it that way, and Fred and Charlie's contract ran two years longer, which was made in 1916, and which would carry their contract up to 1926.

When we made the deal with Mr. Durant, let me put it that way, Mr. Durant in our first talk with brother Fred and I, Mr. Durant invited the Fisher brothers in as partners in General Motors to help him in the operation of the body divisions and whatever he wanted us to do. He took us in as partners and we always remained partners in General Motors with Mr. Durant.

So knowing Mr. Durant like we did—we knew him from

when we were kids, we sold his buggies that he made in Flint. So we knew lots about Mr. Durant.

Going into this deal, we were going in the automobile business, if this is of any interest. We weren't interested in going with Mr. Durant or Mr. General Motors or Mr. [fol. 986] Ford or nobody because we were organizing to go into the automobile business.

Q. Let me interrupt you there. That is something I want to touch on a little later, but first, just in connection with the talk you had with Mr. Durant about changing these contracts, you said that yours was for five years?

A. Yes.

Q. Your two brothers had one for ten?

A. That is right.

Q. So that yours would expire in 1924 and the three brothers also in 1924, and then two other brothers in 1926?

A. Right.

Q. So what did you say to him about changing those contracts?

A. I wanted Mr. Durant to change the contract and shorten F. J.'s and C. T.'s contracts so they would expire the same time the four of us, our contracts expired.

Q. Did you tell him a reason for your request?

A. No. I told him that is the way we wanted it.

Q. Did Mr. Durant make any statement?

A. Well, he didn't like it. That is what held it up. That is what held the deal up for a month, as I remember, or more.

Q. Were the changes that were finally made, those that you had requested in the conversations?

A. That is right.

Q. The change that you made was to alter them so that they would have a common date of expiration?

A. That is right.

Q. Now to go back to a little earlier period, you testified on examination by plaintiff's counsel to a discussion with Mr. Walter Chrysler. When did that occur, approximately?

A. Oh, that was sometime in the fall. I would say it was a year before we finally consummated the deal with Mr. Durant.

[fol. 987] Q. The fall of 1918?

A. That is right.

Q. Was that the first discussion you had with anyone

connected with General Motors regarding going with General Motors?

A. That is right.

Q. What was Mr. Chrysler's position with General Motors at that time?

A. His position, he was talking for Mr. Durant. Mr. Durant had sent him to Detroit.

Q. And this conference occurred in Detroit, did it?

A. At the Pontchartrain Hotel.

Q. Who was there beside yourself and Mr. Chrysler?

A. Nobody.

Q. What was that conversation?

A. The conversation started out by—knowing Mr. Chrysler, we had been very friendly with Mr. Chrysler and knew him very, very well,—he started out by telling me that he had got into the General Motors picture in New York and had been moved from Flint. This closed body situation with General Motors was a very serious one, and they had to deal with it; that Mr. Durant—at that time Fisher Body had all its plants, brick and mortar, were all located in the city of Detroit, and he wanted to build plants in Flint and Lansing and Pontiac for the other three divisions—Flint, Pontiac and Lansing—wanted to enter into a deal with four of us to come with General Motors and set up this organization for them to handle their closed body business.

Q. Which four did he refer to?

A. Brother Ed, Brother Al, and W. A., the four younger brothers.

Q. He did not include Fred or Charles?

A. No.

Q. Fred and Charles were the ones that had contracts [fol. 988] with Fisher Body?

A. It was on account of their contract that they had made with the bankers in 1916.

Q. And the four of you that he invited to go with General Motors did not have any contract with Fisher Body at that time?

A. Well, we had a contract. The four of us had a contract, you know, but our contract didn't read like their contracts read.

Q. Was this proposal to merely take the four Fisher indi-

individuals over into General Motors or was it to acquire an interest in Fisher Body Corporation?

A. For the Fishers to come with General Motors, not to buy any interest in Fisher Body.

Q. Did you give him an answer at that time?

A. Yes, I gave him an answer at that time.

Q. What was the answer?

A. I told him we couldn't split the Fisher brothers.

Q. How long after this was it that you had your next conversation with any General Motors people regarding going with General Motors?

A. Oh, I think it was several months. It was after the first of the year. As I remember, this was in the fall. This is a long time, you know, to go back and make dates. After the first of the year.—

Q. That is 1919?

A. Yes. Mr. Murphy, who was at that time Mr. Durant's secretary, called up and wanted to know, he got hold of Mr. F. J. and wanted to know when we were going to be in New York, he would like to talk to us.

So Mr. F. J. got on the telephone and talked to Mr. Durant, and he said he would like to have us come down and we would like to talk to you."

Q. Did you go down to New York?

A. We went to New York

[Vol. 989] Q. Did you have a conference with Mr. Durant?

A. We had a conference with Mr. Durant.

Q. Who was there besides yourself and Mr. Durant?

A. Well, we went to Mr. Durant's apartment on Fifth Avenue, as I remember. We didn't go to the General Motors offices. As I remember, there was Mr. Raskob, Mr. John Thomas Smith, Mr. Haskell, Mr. Chrysler, Mr. Durant and another Fred and I. They composed the party.

Q. What was the conversation at that time?

A. Well, it duplicated practically what Mr. Chrysler had said. We had lunch in the living room and Mr. Durant said to Fred, he said, "Fred we want to talk to you about bringing the Fisher Brothers into General Motors."

And then he went on to elaborate where this closed body business—the public demand for closed bodies, and other situations as they stood at that moment, that he had to do something, and they had to build some plants in Lansing and

Flint and in Pontiac to meet this demand, and that is what he had to do. He said they were not organized to do it; they had no organization to do it, and knew nothing about it, and they wanted the Fishers to come with General Motors. That was the substance of the talk.

Q. Did you or Fred say anything?

A. No, we just listened.

Q. Did you give any answer at that time?

A. No.

Q. Did you have a later conversation with anyone from General Motors regarding that proposition?

A. Yes.

Q. About how soon was your next conversation?

A. Oh, I think it was at least two months. We were not interested at the time.

Q. With whom was your next conversation?

A. Mr. Durant.

[fol. 990] Q. At whose request?

A. Mr. Durant's.

Q. Where did it take place?

A. I think in Detroit.

Q. Who was present on that accosion?

A. I think Mr. Durant and brother Charlie and myself.

Q. Can you give us the substance of that discussion?  
the situation became more acute; as Durant could see it, and

A. Well, it followed the same discussion. By that time, he had to make a move to increase his capacity for closed bodies.

Q. And did his lack of adequate capacity become more acute?

A. It became more acute. In the meantime, we had received the largest order for closed bodies we had ever been getting up to that time from the Ford Motor Company. He knew that Ford at that time was dominating the low price field. In fact, he was the only one in it, and Mr. Durant naturally was going to try to build the Chevrolet up to meet this Ford competition. Then he had to have a source of supply for closed bodies in doing it.

Q. Did you have the capacity at that time to provide the bodies?

A. No.



Q. Did you and your brother take any position at this discussion?

A. No, we did not take any position at all. We thought we would think it over. We had some other associates we had to talk to.

Q. To whom do you refer?

A. Mr. Mendelssohn.

Q. Mr. Mendelssohn had some stock in the Fisher Body Company?

A. That is right, and they also had a contract.

Q. An employment contract?

A. An employment contract with Fisher Body which was entered into in 1916.

Mr. Harsha: May we ask that the witness identify the Mendelssohns?

[fol. 991] By Mr. Hurd:

Q. Yes, sir. Will you name them?

A. Mr. Aaron Mendelssohn and Mr. Louis Mendelssohn.

Q. What was Mr. Louis Mendelssohn's position with Fisher at that time?

A. He was treasurer.

Q. And Aaron was secretary?

A. Secretary.

Q. About how long after this was it that the decision was reached on the part of the Fisher Brothers and the other stockholders in the Fisher Body Corporation to accept the General Motors proposal?

A. Oh, I think it was along about two months we were working back and forth. I don't know how many meetings we held.

Q. Who conducted these negotiations for the Fishers?

A. Well, Fred and I and Charlie.

Q. And for General Motors, who conducted them?

A. Mr. Durant.

Q. At the time of the first meeting with Mr. Chrysler back in 1918 to which you referred, did the Fisher Body Corporation have any plans for going into the automotive industry?

A. Yes, we started out—at least, we felt that the way Durant and General Motors were going—Durant was buying up everything at that time. And knowing the Ford situation as it was, and knowing Mr. Ford very well, we had a terrific lot of ambition, and we figured it would be possible

that we would get into the squeeze between Ford and General Motors and be left with a few of the so-called independents, so we prepared ourselves. We set up an engine company called the Hinckley Motor Company which we developed. We developed an engine, and for a blind, we built a truck engine which was used during the War. We built, I don't know how many thousands. Then we set up another [fol. 992] company. At the same time, we were going on with the development of the engine, which was the heart of the automobile, or was at that time. Everybody else was buying axles and transmissions and steering gears, and putting them together, and we figured we could do the same thing. There was no mystery in the automobile business. There was not, to us, and is not now.

Q. About when was that that you set up the Hinckley Motor Company?

A. That was set up, as I remember, around 1913 or 1914.

Q. Do you know whether or not Mr. Durant knew of your interest in the Hinckley Motor Company at the time the negotiations were started?

A. I don't think so; nobody knew that.

Q. In the discussions with Mr. Durant which led up to this 1919 arrangement, you stated that he referred to the need General Motors were having with some body plants at Lansing, Flint and Pontiac. Was anything stated as to how he proposed to obtain those if General Motors acquired an interest in the Fisher Body Corporation?

A. Will you say that again?

Q. Did Mr. Durant or anyone else connected with General Motors state how their investment in Fisher Body Corporation would solve the problem of having body plants at Flint and Pontiac and Lansing?

A. Well, with the added capital that we would have in Fisher Body.

Q. That who would put into Fisher Body?

A. General Motors.

Q. The purchase price or the money General Motors was putting into Fisher Body would be used to build the body plants?

A. That's right.

[fol. 993] Q. Was anything said with regard to who would run those plants?

A. Who would—?

Q. Who would operate the plants.

A. The Fishers would.

Q. Now, a part of this 1919 arrangement was that there was a voting trust to which reference has been made this morning.

Do you recall who suggested the voting trust in the first instance?

A. No, I couldn't say that, whether it was our counsel, you know, or General Motors counsel, or who, I couldn't tell you that.

Q. Do you recall the positions of the Mendelssohns on the subject?

A. I think they had quite a part in that, because they were trying to protect their position and their holdings in Fisher Body.

Q. In connection with that 1919 transaction, there was also a contract to run for ten years for the construction of the closed bodies for General Motors Corporation, was there not? Do you recall the ten year requirement contract on closed bodies?

A. Yes.

Q. Who suggested the creation of that contract?

A. Oh, I think that that was one of those things that came about, I think, between both Fisher Body and General Motors.

Q. Do you recall what the interest was in Fisher Body having that contract?

A. What the interest was?

Q. Yes.

A. Well, you see, under the contract that was made, General Motors could not go out and buy any bodies beyond what they were then making, open cars, and they were all making open bodies. Olds was making open bodies and all. But they could not build, buy any closed bodies, and I think it was set up on that basis.

[fol. 994] Q. General Motors was interested in being assured of the capacity and the production of the bodies?

A. Yes.

Q. And Fisher Body was interested in obtaining the business?

A. That's right.

Q. Now, you recall that these 1919 documents, the voting trust and the employment contracts, were both for five years? They were to expire in the fall of 1924?

A. Yes.

Q. What was the occasion for limiting them to five years, if you recall?

A. Well, the reason was that we were still young, and we made up our mind that if we didn't like this partnership that we had entered into with Mr. Durant and General Motors, we would get through in 1924, and do whatever we wanted to do, go into the automobile business or do whatever we wanted to if we didn't like our association.

Q. Was the idea of having these terminate in five years, did that come from the Fishers?

A. That's right.

Q. Sort of a trial marriage?

A. That's right.

Q. By the time the five years had elapsed, what was the position of the Fishers with reference to the success or failure of this trial marriage?

A. We liked it. We liked the General Motors people.

Q. Do you recall about when the discussion started with reference to the 1926 acquisition of the remaining 40 per cent?

A. What started it?

Q. About when did the discussions start regarding the—

A. Oh, I think that started in 1924, and previous to that the closed body had become such an important factor in the industry, and the percentage of the business was increasing all the time, and we were—we had, in the meantime, [fol. 995] taken on Chrysler after General Motors had bought in. We had taken on the Chrysler business, and closed car business, and Mr. Pierre du Pont, who we negotiated with on the final deal, his position was that we ought to come in to General Motors 100 per cent, so they could move part of us into General Motors, and we could become a bigger factor in the operation of the corporation by them taking over all of the balance of the holdings that we held in Fisher Body.

Q. Who conducted the negotiations that led up to the final consolidation in 1926?

A. Brothed Fred and I.

Q. And for General Motors, who conducted them?

A. Mr. Pierre du Pont.

Q. Those negotiations occurred over a two-year period. What was the occasion for the extended period of negotiations?

A. Why, it took——

Q. Yes?

A. The delay? Well, we had problems that entered into it with other associates.

Q. The Mendelssohns?

A. The Mendelssohns got into the picture. That was kind of a difficult one. They had an employment contract, and while they had no percentage of the profits as we did, but it was a troublesome deal, and General Motors wasn't at that time what it is today.

In other words, General Motors' financial position still wasn't too good at that time, and they questioned it, and we threw all of our eggs in one basket with General Motors, and it was a selling job we had to do, and they were big stockholders, and we had to reckon with it.

Q. You were elected to the Executive Committee in the fall of 1924, the Executive Committee of General Motors.

Did you have any discussion with anyone regarding that [fol. 996] change in your situation?

A. Oh, yes, yes, I discussed that, we discussed that with Mr. Pierre du Pont.

Q. By "we", to whom do you refer?

A. Who?

Q. By "we" whom do you refer to?

A. Brother Fred and I.

Q. And was that discussion, did that occur on more than one occasion?

A. Yes.

Q. Over what period of time?

A. Oh, I would say for a year and a half.

Q. Before the fall of 1924?

A. Yes.

Q. And what was the substance of the discussion?

A. Well, the whole substance was that Mr. du Pont wanted to bring us closer into the General Motors picture, you see.

Q. Did he give any reason?



A. Yes, to help them.

Q. In what respect?

A. With management.

Q. Financial or operating management?

A. Operating.

Q. Did he explain that as to just what he intended you to do, and the reasons for requiring any changes?

A. Well, he wanted Fred and I to get in the General Motors picture and deal with the products of the corporation, which was the most important thing in the automobile business, a good product, and at that time General Motors had some divisions whose products were not very good.

Q. Which divisions?

A. The Olds and Oakland. At that time, you know, you see, they were not very good products, and he wanted some help, and Chevrolet was just coming out of the red at that time, and they needed some help.

Q. Now, in 1925, was it 1925 or 1926 that you went with Cadillac?

A. 1925.

[fol. 997] Q. Did you have a discussion with anyone regarding that change in your position?

A. What is that?

Q. Did you have any discussion with anyone regarding your going to Cadillac?

A. Yes, Mr. Sloan.

Q. On more than one occasion or discussion?

A. Oh, no, I don't know. We used to see him and we would talk and exchange in General Motors and back and forth on the train to New York, and what-not.

Q. What was the substance of the discussion?

A. He wanted me to go over there. At first I didn't want to go.

Mr. Harris: Could we have the date?

Mr. Hurd: Yes.

By Mr. Hurd:

Q. When were these discussions?

A. Oh, I would say about six months before I went over there.

Q. That would be in late 1924 or early 1925?

A. Yes, I would say that.

Q. Did Mr. Sloan give you any reason for wishing to have you go over to Cadillac?

A. Why, he wanted me to go over and straighten the Cadillac Company out, and Packard was just running away with the market, and he felt the management over there should be changed, and he wanted me to go over there and take charge of the Cadillac Company.

Q. What was the difficulty with the Cadillac operation under the prior manager?

A. Well, the trouble is it is that the Cadillac car had gone to seed. Rice—I don't want to be critical of the man, he has [fol. 998-999] passed away, and I don't like to have anything in the record, but Rice didn't keep up with the procession. Let me put it that way. The automobile industry is a fast business, and Packard was just stepping away from Cadillac, and was getting the lion's share of the market, which Mr. Sloan thought that Cadillac and General Motors were entitled to or at least an even split, and we weren't getting it.

Q. What position did you occupy when you went to Cadillac?

A. President.

Q. And what, if anything, did you do regarding the product on your arriving over at Cadillac?

A. Well, the first thing I did when I got there was to—of course, previous to that I had given the thing a lot of thought, what ought to be done with the company, because you couldn't turn the Cadillac car from one night to the next morning, into a new automobile, so I started out to put a lot of colors on Cadillac, which was the first time it had been done, and I don't know how many color combinations we went into. We started a regular color-craze.

I brought Mr. Harley Earl from California who at that time was with the Don Lee Corporation in California, a Cadillac distributor, and who was in charge of making custom bodies out there, and today, who is in charge of the Styling Section of General Motors, and I brought him on the job from California. In fact, I loaned him from Mr. Lee, and I said, "What should we do with these cars," and he said, "Let's paint them up so they look like something."

And he said, "Put a lot of color on them and put some

wire wheels on them and doll them up." That was the nature of the business.

So that was the first move we made in Cadillac.

[fol. 1000] Cross-examination,

By Mr. Hurd (Continued):

Q. Mr. Fisher, just prior to our recess, you mentioned what you had done to the Cadillac to pick it up, so to speak, after you became manager in 1925, and you referred to bringing cars out in a number of different colors.

What had been the practice of the industry with respect to the colors of automobiles prior to that time?

Mr. Harsha: Your Honor, I would like to object to this line of questioning. It is going beyond the scope of direct, and is a flat violation of Rule 43(b).

We asked no questions regarding styles of automobiles, colors, et cetera, on our direct examination.

The Court: Part of the history, the general history, I [fol. 1001] think, is helpful to a better understanding of the issues. I think you can narrow it down somewhat.

Mr. Hurd: I had only this one question with respect to this, just to complete the picture he gave this morning.

By the Witness:

A. Well, the practice of the industry prior to that was to have about three colors. Ford, of course, was always black. Mr. Ford said, "Paint them any color, as long as they are black."

There was a dark blue, and a dark green, and black, because they could be handled and serviced in the field. If the car was damaged, they could take it to a repair shop, some buggy repair shop or similar set-up, and have it repaired.

You must know that in those days the dealers had no service stations and no paint shops like they are equipped today, you see, so they confined it down to as few colors as they could, and colors that they could easily repair in case of an accident or damage.

By Mr. Hurd:

Q. Your bringing the Cadillacs out in a variety of colors, then, was an innovation as far as the industry was concerned?

A. That is right.

Q. To return for a moment to the 1926 transaction when General Motors acquired the remaining 40 per cent interest in Fisher Body Corporation, up to that time was Fisher Body manufacturing bodies for any company other than General Motors Corporation?

A. Yes. We built bodies for Ford. We built bodies for [fol. 1002] Hudson, and Chalmers and Studebaker, Chandler and Cleveland.

I think we started with Chrysler in 1924. The Chrysler Company, I think we got started in 1924 with the Chrysler Company.

Q. Walter Chrysler in the meantime had left General Motors Corporation and started his own company?

A. That is right.

Q. Did the capacity that you were devoting to these outside makes of cars, outside of General Motors, have any bearing upon the final acquisition by General Motors of the entire stock interest in Fisher Body?

A. Yes, it did have.

Q. In what respect?

A. Well, the corporation felt they could, you see, with the demand for the closed cars, ~~that the~~ divisions could use the entire capacity of the Fisher Body Corporation, and under the existing set-up we could work for anybody we wanted to. That was part of the original arrangement. We wouldn't have it any other way.

It was also understood that we would give our customers plenty of time so they could place their business with other concerns.

Q. Then following the final acquisition of all the stock in Fisher Body by General Motors, did you cease manufacturing bodies for competitive makes?

A. They left, you see. We didn't have to tell them because they knew eventually General Motors would take the entire capacity, so they took a position—Ford did immediately, started to make preparations. In fact, they enlarged their own body plant.

[fol. 1003] Q. You failed to get orders from competitors after that?

A. What is that?

Q. You failed to get orders from competitors?

A. No. We knew when we made the final disposition of our interests that our customers would find sources of supply elsewhere, which they did. So it wasn't a case of us dropping these people who were our customers. They took care of that themselves over a period of time.

Q. During the period of 1919 to 1924, who had charge of the management of the Fisher Body Corporation; the operations of the company?

A. Between 1919 and 1924?

Q. Yes.

A. Well, Fred was president of the company, and my brother Charlie was in charge of the operations of the Fisher Body open division, as we called it. That was making all the open bodies. I was in charge of the operations of the closed bodies. That is how we split the responsibility.

Q. You left the Fisher Body Corporation in 1925, I believe you stated?

A. That is right.

Q. From 1925 on, who had charge of the operating management of the Fisher Body Corporation?

A. That was C. T.

Q. Your brother Charles?

A. Yes. In the meantime, as I remember, Mr. F. J. had gone with the corporation, spent his time entirely with the corporation. All the while he still was with Fisher Body, but he spent most of his time with the corporation.

Q. That is, Fred had gone with General Motors Corporation?

A. Yes.

Q. And Charles remained on, in charge of the management of Fisher Body?

A. That is right.

Q. How long did that continue?

[fol. 1004] A. That continued right on until C. T. retired.

Q. When was that?

A. He retired, I think, in 1934.

Q. Following 1934, who had charge of the management of the Fisher Body Division?

A. Mr. E. F. Fisher then became general manager of Fisher Body Corporation.

Q. Mr. E. F.?

A. E. F. Fisher.



Q. Edward Fisher?

A. That is right.

Q. How long did he continue in that position?

A. Until he left General Motors.

Q. When was that?

A. 1944, I think, late 1944.

Q. During the period of 1924 to 1934, approximately, who was the group executive in General Motors who was responsible, had general supervision over the Fisher Body Division?

A. We had no group executives at that time.

Q. When did they acquire a group executive that had jurisdiction?

A. When I left Cadillac.

Q. When was that?

A. That was in 1934.

Q. 1934?

A. That is right.

Q. Who became the group executive having supervision over the Fisher Body Division at that time?

A. I did.

Q. How long did you remain in that position?

A. Until we resigned in 1944.

Q. During that period, to whom did you report?

A. Who did I report to?

Q. Yes.

A. Mr. Knudsen.

Q. The president?

A. He was the president of the corporation.

Q. He wasn't the president during the whole period?

A. No.

Q. Did you report to him at all times regardless of his position?

A. Yes. He was executive vice-president, and then president, but we all reported to Mr. Knudsen.

[fol. 1005] Q. And Mr. Knudsen I believe left the corporation for war duty in the early '40s. Following that, to whom did you report?

A. That is right.

Q. To whom did you report after that?

A. To Mr. Wilson, C. E. Wilson.

Mr. Hurd: If the Court please, that fully completes the cross examination insofar as what I consider germane to the direct. There are about two or three subjects relating to the defense more than to the direct examination. I wonder if I might have permission to go into them. I know they are out of order, but ask permission in order to save the convenience of the witness.

The Court: That would be considered direct examination as your witness.

Mr. Hurd: Yes, as my witness.

The Court: I presume you want to do that in order to avoid bringing the witness back?

Mr. Hurd: That is right.

The Court: I see no objection.

LAWRENCE FISHER, called as a witness on behalf of General Motors Corporation, having been previously sworn, was examined and testified as follows:

Direct examination

By Mr. Hurd:

Q. The first subject I would like to go into, Mr. Fisher, is the situation that existed at the time of the collapse of Mr. Durant in the fall of 1920. Did you have any discussion with anyone at General Motors regarding his collapse and what might be done to take care of the situation that the company found itself in?

A. Yes.

[fol. 1006] Q. With whom?

A. With Mr. Raskob.

Q. About when was this?

A. Well, it was, I would say, around three or four weeks before the final collapse when the Morgan Company stepped in with the du Ponts. I don't know what those dates are.

Q. Where did this conversation take place?

A. In New York.

Q. Who was present besides yourself and Mr. Raskob?

A. Just Mr. Raskob and Fred and I.

Q. Your brother Fred?

A. My brother Fred.

Q. What was the discussion or the conversation?

A. Well, the conversation was along the lines of what had to be done. At that time they didn't know—Durant had at that time stock in all the brokerage houses and they did not know how much he had, or how much he was obligated for, and it was a question of getting all that information together at that time, and they were working out different plans. They had different plans in mind at the time.

In the meantime, the stock was dropping every day. They could not support it, and it meant that either General Motors would go in the hands of a receiver—that is where it got to—or there had to be a financial arrangement made, and in the discussion, the point came up the only way that was open was that Fisher Body would take over General Motors.

Q. Who suggested that?

A. Mr. Raskob.

Q. Did you and your brother Fred take any position on that subject at that time?

A. Not at the time, because it was just a discussion of what possibly could happen. They wondered how we felt about it, and we said we would have to deal with that one; [fol. 1007] we would have to think it over. It was a pretty big thing to deal with, and their decision was at the time that Fisher Body had a credit position with the banks which would enable us to borrow this money that was needed, and that was the situation.

Q. Did you ever reach a decision?

A. No.

Q. In the meantime, that transaction was handled in another method?

A. That is right.

Q. Now, I would like to turn for a moment, Mr. Fisher, to another subject, the subject of Fabrikoid. Certain documents have been introduced by the Government. They are Exhibits 450, 451, and 452, which are letters written in 1923 on the subject of the purchase of Fabrikoid by the Fisher Body Corporation, letters to you, some of them. Will you tell us what the Fabrikoid situation was in the Fisher Body Corporation at that time in 1923?

A. Well, the du Pont Company at that time, of course, was making all the material for the bodies, the open bodies, for the tops. It was the material we did not have to stretch over

a radius whereby it would lose all the grain. There was a company in Toledo—I do not think we ought to bring this company's name in—that was in the business that developed an artificial leather. We started out originally and used the regular general cowhide leather, but that was too expensive, and we could not get enough of it, and with all the imperfections in the leather, such as the hide runs, we had to get an imitation, so Textileather developed—a company in Toledo, Ohio, developed a material that could cover the roof that was very satisfactory in that it had the print of this grain. It looked exactly like leather, and when you stretched it over the corners of the roof, you know, you did not pull out all the grain so that it no longer looked like leather.

[fol. 1008] The du Pont material would not do that. You could not stretch it, and if you did, there was no surface left to it, and my position was if we could get their material where we could use it, we would be glad to use it.

Q. What would be the occasion for your using that?

A. Well, the occasion was we only had one source of supply, and we thought that was a dangerous position to be in, with a big volume of business that we had, and the company at that time was set up with stock ownership, with a couple of brokers, and one thing and another that involved—

Q. You are referring to the Toledo Company?

A. To the Toledo Company. It was a situation that was not healthy. I will put it that way, and we thought that the du Pont Company with their facilities should make this material and they finally did make it.

They went down to Toledo and found out how they did this job, and they got the material in and finally we approved it, and then we ordered it.

Q. Who instigated the du Ponts interest in this, of changing their material?

A. Their representative in Detroit. I have forgotten the man. I think it was before George Staples came into the picture representing General Motors, or representing the du Ponts in Detroit.

Q. Did you discuss the subject with their representative?

A. Oh, yes, sure, time and time again.

Q. At whose instance did these discussions take place, at his or at yours?

A. Mine.

Q. What was the occasion for your taking it up with them?

A. I wanted to get another source of supply. We were vitally interested in getting another source of supply because we had to have roof material, and if something happened over in Toledo, the quality of the product was not as good as we would like to have them.

Q. Who, in the Fisher organization made the decision to use the du Pont material once they had a satisfactory material?

A. I made the decision.

Q. Were you requested to make that by anyone in General Motors?

A. No, sir.

Q. I would like to turn now to another subject, a little more elaborate one, perhaps, the subject of "Duco."

A. Yes, sir.

Q. Did you have experience with the paints on car bodies, Fisher bodies, in the pre-"Duco" days?

A. I handled the "Duco" situation from the first can of it we got.

Q. Well, did you have jurisdiction or supervision over the painting before you had "Duco"?

A. That is right.

Q. Will you tell us briefly what the procedure was for painting cars before you had "Duco," that existed in your plant.

A. Well, the process of painting an automobile—let us take Cadillac, a closed car, which we were dealing with at that time.

The operations that we went through from the time we put on the first coat of primer which was more or less of a coat to seal the metal from rusting and all, until we finally got to the varnish, that took ordinarily about twenty or twenty-one days. That was the schedule that it took from the time we put on the first coat of primer.

The next day, there was an operation of glazing. In those days, we did not get steel like we get today. In other words,



the companies knew nothing about these high finishes of steel that we are dealing with today.

[fol. 1010] In other words, it was like a soft iron, and the surface was bad; and then we had a lot of filling to do. Then we had to do what we call the glazing operation. It was like a putty. That was a white lead with linseed oil.

Q. You filled the pits in the metal with that?

A. Yes, the pits. There were spots that were rough, that had been filed off. Then we had a surfacer. We put five coats on over that, what we called—this was rough stuff, that was the trade name, and that was the operation.

That had to dry over twenty-four hours, and in those days, there were no ovens, no kilns. We didn't know anything about them. So, after five days, then they were rubbed out with pumice, you know, and water, which was a very bad operation. And that was another day's operation.

Then they went through another operation, and they had to be touched up again on account of the rust. Then the next operation was the color operation. Then the next day there was a coat of color varnish and the second day, it was another coat of color varnish, and on the third day a coat of color varnish, then the body had to sit usually—depending on the condition of the weather.

Where we had a lot of humidity, when it didn't dry, it took four or five days sometimes before we could put these coats on; and they were then rubbed with pumice to get the surface smooth before the last coat of finish varnish was applied.

And in the meantime there was a striping operation in those days. The closed bodies were striped. They are not today.

[fol. 1011] So, it was a long process from the time we started to paint a closed car until it was finished.

Q. What was the space situation? How did you handle those cars for drying purposes as this operation went on?

A. Well, I was figuring the other night, you take the average closed body in those days, in those days there was no such thing as a conveyor, and all of the things we are dealing with today, and the bodies were all put on trucks, these closed bodies, and they were all moved by hand.

Well, I figured out that the average body at that time, a Cadillac, or regardless of what it was, took about one

hundred square feet of floor space, one hundred feet of floor space, so if you had a thousand or a hundred bodies of one model going through, you know, you see, well, you had two thousand—you just had a hundred times that much, a hundred times a hundred, you see, in floor space that was occupied all of the time from the time that body started, until it was finished.

Do you get me? Is that clear?

Q. Yes. You referred to the problem of humidity, were there any other problems incident to the drying?

A. Well, another thing was the damage. When you had paint, varnish, the atmosphere when you put the last coat of varnish on, in those days we had a big dark room where we used to put the bodies in the last coat, because the flies won't go where it is dark. If a fly got on a panel and crawled along, that meant the re-finishing of the whole panel, and it kept the dirt out.

These were sealed like a vault, these rooms. If the weather wasn't good, and the humidity was very high, the [fol. 1012] varnish wouldn't flow. Well, it meant that there were rejections the next day. I have seen as high as fifty per cent, sixty per cent rejections, and then it was a matter of three or four or five days before you could touch that body, because the varnish was soft. You couldn't rub it, and surface it down, and get it ready for another coat of finishing varnish, and it was a terrible job, or one of the worst problems about the paint.

Q. If a car became damaged, scratched or bumped, did you just touch up the area that was damaged?

A. No. You see, when you took and scratched a door on your car, then you had to putty up that scratch, and you had to go all through these operations, and it was a matter of six, seven, eight days, and then you would have to revarnish that whole panel, and when you put another coat on—if it was a light color, and you put another coat on top of the finish varnish, it changed the color, so it was just—it was a terrible problem.

That is why when we were talking before, they only painted cars black, dark blue and green—just what I am talking about now, you see.

Q. How durable was the finish once you had it complete?

A. It was never durable. We used the best materials that we knew from our experience. The painting operation was the most important part of building a closed body. We bought the best material. We had a lot of experience at home working with paint materials, and in fact the varnishes, Murphy Varnish we used, we used when we were boys.

Mr. Harris: May we inquire the period of time of which the witness is talking about?

[fol. 1013] By Mr. Hurd:

Q. When was the procedure that you have outlined, in operation?

A. When was this in operation?

Q. Yes.

A. Before "Duco" came in.

Q. From the standpoint of years, during what period was it?

A. What period?

Q. Yes.

A. It has been that way, you know—it was that way in the carriage days.

Q. How long did it last, up until you had "Duco" in the early 20's?

A. That's right, until "Duco" came in the picture.

Q. To what extent did this painting problem have an effect on the capacity of your company to put out bodies?

A. Well, the result was that when we got the "Duco" you know, you see, and could paint a Cadillac car in six or seven days, and shorten the time up, you know, you see, to one-third, it meant we just tripled our production in the same amount of floor space. If we would have carried on with paint the way we were going, we would have had to put a roof over Michigan.

Q. In order to take care of the cars?

A. To take care of the painting operations.

Q. Did Fisher Body Corporation conduct any research or work in the field of finishes to try to solve this problem?

A. We were dealing with it with all of the paint companies. It was a terrific problem, and when you have a problem you deal with it, and especially since it was incor-

porated, you see, in the price that made up the price with the closed body that made up this big operation of painting.

[fol. 1014] Q. When did you first hear of "Duco", and from what source?

A. Well, we heard from "Duco", one of the "Duco" representatives came in.

Q. You don't remember his name?

A. Oh, I can't do that now.

Q. About when was it?

A. Oh, I would say around 1924, along in there, right after we became part of General Motors.

These paint men, that was the custom in those days, you know, and they were all working on all kinds of materials, because they knew the problem as well as we did, and they were also working on every kind of a material that was going to shorten the time, and all, and varnishes that would dry in four or five hours, and all of those things, and so we had a regular laboratory, you know, not like we have today, but just a practical one where we used to take the big panels and put them on the roof, you know, you see, and leave them up there and do our testing work on our own cars, and the brothers' cars, and the foremen's cars, and we painted the panel with this supplier's paint, and his varnish, and all, and so we just had kind of a moving laboratory all the time to see if we couldn't get something that would shorten the time of this painting operation.

Q. When this du Pont man came in with this "Duco" at the beginning, did you have any discussion with him?

A. Yes, sure.

Q. What was the nature of that?

A. Well, he wanted us to, like all paint salesmen that came in, he wanted us to try this material and see what we thought of it.

[fol. 1015] Q. What did you do?

A. We got busy on it. We started to work with it. Mr. Breslin, who was then superintendent—

Q. How do you spell that name?

A. Breslin, John B-r-e-s-l-i-n, a man that we brought from the east, from Chauncey Thomas. They were one of the outstanding carriage builders. They only built very expensive carriages in Boston.

Q. Breslin was your paint superintendent at Fisher Body at this time?

A. That is right. And he—in fact, he spent most of his time working with all these new products, things that the paint companies—in those days the paint companies were all not in very good shape financially and otherwise, you see. It wasn't a very good business as a whole. We naturally tried everybody's material that came in.

We had had some experience during the war. We had built a lot of airplanes for the Government in Fisher Body. At that time they were all covered with linen, and then we applied what we called dope, which was practically the same base as "Duco."

Q. A type of lacquer?

A. It was a lacquer, yes. That started us thinking. Then when they brought in this sample, you know—

Q. The sample of "Duco"?

A. Yes, "Duco," and with the experience that we had had on the application of this lacquer, you know, and saw the action of the weather on it—the weather had no effect on it at all, and we were vitally interested in the "Duco."

Q. What, if anything, did you do about the new dope, this "Duco"?

A. What is that?

Q. What did you do about this new dope, this "Duco"?

A. We started right in to experiment with it, and the first [fol. 1016] "Duco" that came, why, in the first place, we were afraid it was going to blow in the can before we opened it, you see, because it was highly explosive. At least, we thought so.

We painted our panels, and at first the "Duco" would pit. There was no surface to it. You couldn't rub it. You couldn't do anything with it. It was just a raw material, like everything else that starts. Their chemists at the du Pont Company, their men kept coming back and forth making this change. Breslin says do this with it, and do that with it.

I watched it all the time because it was so important. It was so important to us, you see.

Q. From what standpoint?

A. The cost of our products.

Q. Production standpoint?



A. Production standpoint and everything. It was the most important thing I could deal with at that time. If we could shorten that time—

Q. Of paint?

A. Of paint. The other divisions in General Motors were doing the same thing.

Q. How long was it before you had a "Duco" that was satisfactory for placing on automobiles?

A. I think it was about a year, a year and a half, if my memory serves me. We painted some cars. I know I had a little Studebaker at that time that I painted with it, you know. Of course, it was hand polished and all, and I used to take it around and show it to the divisions and whatnot, to try to sell the idea. Of course, the original "Duco" had no luster to it. It was as flat as this paper.

It had no luster, and the public, being accustomed to a very high finish on cars, the same as they had had on bug-[fol. 1017] gies, and for the public to take a car that looked to them at that time like it was four or five years old, you know, it was a job selling.

The divisions at that time, they were all working with it. I think Buick up there was doing more with it because other fellows weren't worried too much. They were having too much trouble with their cars to worry much about their paint. But Buick at that time were really dealing with it, because Buick made their own open cars, pretty much of their own open cars, and they wanted to eliminate all this long schedule they had to deal with, you know.

In those days these cars all had to be loaded in boxcars, in the handling of them, and in those days you took a painted car and you put those paper covers over it. Well, by the time it got to California, with the humidity, dampness, and whatnot, it got out there and the paper would be all stuck to the body.

It meant a refinishing job. It was just one headache from start to finish.

Q. Was that with "Duco" or with the paint?

A. No, that was with the paint.

Q. On what cars did you put "Duco" once you were satisfied that the "Duco" would solve the problem?

A. We put it on the Oakland first. They needed some real help, so we thought this was a fine advertising thing. Mr.

Hannum at that time was the general manager of the Oakland Company, and we sold him the idea that he could start that off.

They got a marvelous public reaction to it, you know. He went on to say he could leave his car out in all kinds of [fol. 1018] weather, didn't have to worry about the varnish and water spotting, and all the things that went with it, and it was durable, serviceable.

It sold a lot of cars. It just lifted Oakland right up, got them going.

Q. About when was it that Fisher Body went to "Duco" practically completely for closed bodies?

A. Oh, that was in—that was quite a selling job. We had a tough time with Cadillac because they had been used to those very high finishes, you know, and "Duco," the first couple of years, if a car was in the sales room for very long it, what we called at that time, it took on a kind of gloom like, you know, cloudy, got cloudy like a window.

The Cadillac organization, of course, just couldn't put up with that. And prices on the Cadillac car were so high, and they wanted to—Cadillac cars at that time were all built of aluminum, which was very costly, and they decided that they should have a lower priced Cadillac in the line.

So we made a set of hand tools and made some steel, the first steel bodies for Cadillac, which we then painted with this Duco.

Q. About when was that?

A. Oh, I would say this was in 1924.

Q. At about that time were you painting the bodies for the other divisions with "Duco"?

A. Some of them, yes. I think Buick, after Oakland. As I remember, I think that Buick went along because Weckler up there was then works manager, and Buick had a big production. They said they would take hold of it and they would work it and take all the grief that went with it.

Q. As far as the bodies painted by Fisher Body were [fol. 1019] concerned, who made the decision as to whether or not to use "Duco"?

A. I made the decision.

Q. You made the decision to paint the bodies?

A. Yes, I made the decision that it would stand up and we would stand back of it.

Q. At that time, from what source were you obtaining "Duco"?

A. What was that?

Q. At that time, from what source were you obtaining the "Duco"?

A. Just from the du Pont Company.

Q. Was there any other source available at that time?

A. Not at the time when we started.

Mr. Harsha: What time are you referring to?

Mr. Hurd: I am referring to 1924.

The Witness: Oh, yes, there were other sources.

By Mr. Hurd:

Q. From whom were you obtaining it in 1924?

A. Well, I think we were buying material from Forbes Varnish. I think they were the first company. Just as soon as they got hold of a can of it, you know, they started to experiment with it because they knew that lacquer was going to be the answer to the varnish problem.

Being in the varnish business, they got right into this, what they called "lacquer." They didn't call it "Duco." It was a lacquer. They had their own name for it, their own trade name, but it was the same thing.

Q. Did you buy any from Forbes then?

A. Yes, we did.

Q. And from any other source?

A. Yes, Rinshed-Mason.

[fol. 1020] Q. Did you continue to buy from du Pont also?

A. Yes.

Q. Were those three companies, Rinshed-Mason, Forbes and du Pont; your principal suppliers of the lacquer?

A. That is right.

Q. Do you know, has that pretty much continued throughout the years at Fisher Body?

A. I don't think it has changed. I don't know whether Forbes is still in the picture or not. That I wouldn't know, but I know Rinshed-Mason still sells to General Motors.

Q. Up until the time that competitors had the product, I suppose all of your "Duco" or lacquer was purchased from the du Pont Company?

A. That is right.

Q. When competition came into the picture, you bought from competition also?

A. That is right, yes.

Q. Now, you have referred to taking the matter up with divisions. You said, "We took it up with the divisions" about using "Duco." By "we," whom do you refer to?

A. I mean Fisher Body Organization.

Q. Was that true of all divisions?

A. Yes.

Q. All the motor divisions?

A. Oh, yes, all the motor divisions. You know, it was a selling job. You had to sell the sales manager because he wanted the thing that was easiest to sell and the thing that looked the best, and it was a selling job. We were poor salesmen in those days.

Q. But you did succeed in selling all the divisions on going to lacquer?

A. That is right, because they all had their troubles. They had their troubles all over the country, you know, with paint. They didn't guarantee any paint, and it wasn't the custom of the industry at that time for anybody to guarantee paint. [fol. 1021] You couldn't, because the fellow with the car could drive it in—at that time we didn't have garages. They drove it in a horse stable.

Well, you let a car in a horse stable, you know, with the ammonia conditions from the offal from the horse, and leave it stand there for two weeks, and you would have no varnish on the car. So they had their troubles with their own paint. So it wasn't just Fisher Body.

Q. Was it about 1924 that the car divisions as well as Fisher Body got into substantial—

A. What is that?

Q. It was about 1925 that the car divisions as well as Fisher Body was using the lacquer substantially entirely for their finishing?

A. Yes, and competition, you know, got to using it, too.

Q. During this time you were making bodies for some competitive cars, up until 1924 and including 1924?

A. Yes.

Q. Did you finish any of those with "Duco"?

A. Sure; sure.

Q. What cars, what makes?

A. We started right out with Chrysler, with their closed cars. We never did paint one of them.

Q. At the time that Chrysler started in, you painted those with "Duco" or with competitive products from the beginning?

A. They were painted with "Duco," if I remember rightly. But it might have been some of Rinshed-Mason because Chrysler at that time, if you remember, his cars had a lot of bright colors, light blue and all. When he first put his first original car out, they all had a lot of color on. He liked color himself, and he said, "As long as you get 'Duco' and can handle it, let's have colors."

Q. To return for a moment to the point when you went to Cadillac in 1925, you have told us earlier about bringing [fol. 1022] those cars out in a variety of colors.

A. Yes.

Q. What lacquer did you use at Cadillac?

A. It was Rinshed-Mason.

Q. What was the occasion for your using Rinshed-Mason?

A. Well, the reason for using Rinshed-Mason was that they were located in the City of Detroit, and "Duco" was made in Delaware, a long ways off.

At that time, you see, while Fisher Body was painting the body these colors, the hoods and fenders were painted at Cadillac, and at that time you could get one batch of "Duco" and that, of course, went with paint also—you know, the same color, there was never two batches alike. That is, you just had to use, mark every can that came in.

We had a serial number on it, so we used that up. We used that up, and even went as far in some of the big production, we would set some of it aside and put a number on it in case we had a condition in the field to meet, so we could go and find the color, you know, because you might send a fellow some paint out there and it wouldn't match at all.

Q. Did Rinshed-Mason have a plant at Detroit?

A. Yes.

Q. That is where the Cadillac plant was?

A. Yes, near the Cadillac plant, you see, and the service, and their man was back and forth, and the quantities weren't large at that time, and the service and everything that went with it, and we just bought Rinshed-Mason paints.



Q. Did that continue throughout the period that you were connected with Cadillac?

A. That is right, and I remember.

Mr. Hurd: If the Court please, that completes my examination [fol. 1023-1025] nation. I will tender the witness back to counsel for the plaintiff for both redirect and cross examination.

Mr. Harsha: Your Honor, I wonder if the Government might have about five minutes before we resume?

The Court: The Court stands recessed for fifteen minutes.

(Recess taken.)

Mr. Harsha: No cross examination, your Honor.

Mr. Hurd: Is the witness then discharged?

The Court: There will be no more questions?

Mr. Harsha: Not as far as the Government is concerned.

Mr. Hurd: Thank you.

The Court: The witness is excused.

(Witness excused.)

Mr. Hoyt: The Government now offers Exhibit No. 490, which is the next group of documents continuing along with the relation of the Fisher Body Company.

[fol. 1026] Mr. Hoyt: I next offer Government's Exhibit No. 496, which is entitled "Excerpt from July 20, 1929, Fabrics & Finishes Department, Monthly Report, June, 1929, to Executive Committee of du Pont Company."

(Said Government's Exhibit No. 496 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 496.)

Mr. Hoyt: We next offer Government's Exhibit No. 497, a letter of July 20, 1928, addressed to Mr. George Staples of the du Pont Company from J. L. Pratt, Vice President.

(Said Government's Exhibit No. 497 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 497.)

Mr. Hoyt: We next offer Government's Exhibit No. 498, [fols. 1027-1028] which is a letter addressed to Mr. J. L. Pratt and dated August 8, 1928, from Mr. Staples. ~

(Said Government's Exhibit No. 498 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 498.)

Mr. Hoyt: We next offer Government's Exhibit No. 499 on the letterhead of General Motors Corporation, General Purchasing Committee, and the subject is: "du Pont Super Discount Agreement," dated November 10, 1930, and it is to the attention of the Purchasing Agents, All Divisions:

(Said Government's Exhibit No. 499 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 499.)

Mr. Ford: We next offer Government's Exhibit No. 500, which is a letter from J. J. Moosman to Mr. A. B. Echols, Chairman, Subcommittee on Purchases & Sales of the du Pont Company. The date is June 30, 1937, and I would like to read just the first paragraph:

"It is customary for the Fisher Body Division of General Motors to purchase their requirements of leather substitute materials on definite yardage contracts covering periods of from six to eight months."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 500.)

Mr. Ford: I next offer Exhibit No. 501.

• • • • •

[fol. 1029] Mr. Ford: We next offer Exhibit No. 502, which I would like to read, if the Court will bear with me. This is a very difficult photostat to read. It is a letter from

J. J. Moosman to Mr. A. B. Echols dated January 15, 1940, subject, Chevrolet Motor Company:

(Said Government's Exhibit No. 502 was thereupon read to the Court by Mr. Ford.)

— (Said document, so offered and received in evidence, was marked Government's Exhibit No. 502.)

[fol. 1030] We next offer Government's Exhibit No. 503. This is a memorandum from the Fabrics & Finishes Department—Automotive Finishes Division, to the Chairman, Subcommittee on Purchases & Sales, signed by J. J. Moosman.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 503.)

\* \* \* \* \*

I next offer Government's Exhibit No. 504. This is a summary of du Pont purchases from and sales to General Motors Corporation, dated November 2, 1948. It is for the years 1938 to 1947, inclusive, and seven months of 1948.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 504.)

\* \* \* \* \*

[fol. 1031] We next wish to offer Government's Exhibit No. 505, and do not propose to read any part of it.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 505.)

Mr. Ford: We next offer Government's Exhibit No. 506, without reading.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 506.)

Mr. Ford: We next offer Government's Exhibit No. 507, without reading.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 507.)

Mr. Ford: We next offer Government's Exhibit No. 508:

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 508.)

[fol. 1032] Mr. Ford: This is a letter from J. J. Raskob to Walter S. Carpenter, Jr., Treasurer, General Motors Securities Company, dated July 12, 1927.

(Said Government's Exhibit No. 508 was thereupon read to the Court.)

Mr. Ford: We next wish to offer Government's Exhibit No. 509, which is an extract from minutes of regular monthly meeting, Board of Directors, du Pont Company, July 18, 1927, without reading.

(Said exhibit, so offered and received in evidence, was marked Government's Exhibit No. 509.)

Mr. Hoyt: We next offer Exhibit No. 510, which is on the letterhead of the E. I. du Pont de Nemours and Company, entitled "Advice of Action."

It is addressed to Mr. Donaldson Brown, Vice President, General Motors Corporation, copies to Mr. J. B. Eliason and Mr. A. B. Echols. Signed M. D. Fisher, Secretary Finance Committee, dated October 20th, 1931.

(Said Government's Exhibit No. 510 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 510.)

Mr. Hoyt: I next offer Exhibit No. 511, dated October 22, 1931, which is addressed to Mr. Donaldson Brown, from M. D. Fisher, with copies to Mr. A. B. Echols and Mr. J. B. Eliason.

[fol. 1033] (Said Government's Exhibit No. 511 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 511.)

Mr. Hoyt: I next offer Exhibit No. 512, which was on the letterhead of J. P. Morgan & Company, dated October 29th, 1931, to W. S. Carpenter, Jr., Vice President of the du Pont Company. "Private and confidential."

(Said Government's Exhibit No. 512 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 512.)

Mr. Hoyt: I next offer Government's Exhibit No. 514, dated July 6, 1953, which is addressed to Finance Committee from Treasurer, signed by J. B. Eliason, subject "General Motors common stock."

"We originally purchased General Motors common from the Fisher Brothers—"

There follows a tabulation of the various purchases which the Government does not propose to read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 514.)

Mr. Hoyt: I next offer Exhibit No. 515, which is ad-[fol 1034] dressed to Finance Committee from Treasurer, signed J. B. Eliason, dated November 29th, 1935.

(Said Government's Exhibit No. 515 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 515.)

Mr. Hoyt: We now wish to offer Exhibit No. 516, a memorandum addressed to Heads of Departments, dated March 20, 1918.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 516.)

(Said Government's Exhibit No. 516 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 517, a memorandum signed by M. D. Fisher, Secretary, Executive Committee, addressed to Heads of Departments, dated July 23, 1918.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 517.)

(Said Government's Exhibit No. 517 was thereupon read to the Court by Mr. Hoyt.)



Mr. Hoyt: We next offer Exhibit No. 518, a memorandum from M. D. Fisher, Secretary, Executive Committee, addressed to Heads of Departments, dated December 6, 1923.

[fol. 1035] Mr. Hoyt: I next offer Exhibit No. 519, which is a letter from Ed H. Ford, assistant director, to H. R. Kinsley, Assistant to President, copies to Lamot du Pont and L. P. Mahony, Director of Sales, dated January 15, 1921.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 519.)

(Said Government's Exhibit No. 519 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I next offer Exhibit No. 520, a letter from H. R. Kinsley, Assistant to President, addressed to Ed H. Ford, Assistant Director, dated January 17, 1921.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 520.)

(Said Government's Exhibit No. 520 was thereupon read to the Court by Mr. Hoyt.)

[fols. 1036-1037] Mr. Hoyt: We next offer Government's Exhibit No. 521, a letter from Ed H. Ford, Assistant Director, addressed to Mr. G. D. A. Belin, President, dated January 19, 1921; copies to Mr. Lamot du Pont, Mr. L. P. Mahony and Mr. A. J. Abrams.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 521.)

(Said Government's Exhibit No. 521 was thereupon read to the Court by Mr. Hoyt.)

[fol. 1038] The Government will now offer Government's Exhibit No. 522, still in Volume 3, your Honor.

The Court: Proceed.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 522.)

[fol. 1039] Mr. Hoyt: We next offer Government's Exhibit No. 523, a letter by C. A. Petterson, General Manager,

on the letterhead of E. I. du Pont de Nemours & Company, to Alfred Sloan, Vice-President, General Motors Corporation, with a copy to Mr. Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 523.)

[fol. 1040] Mr. Hoyt: We next offer Government's Exhibit No. 524, which is on the letterhead of E. I. du Pont de Nemours & Company, signed by Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 524.)

Mr. Hoyt: We next offer Exhibit 525 from E. W. Furst to William Richter, Fabrics and Finishes Department, dated January 3, 1931.

[fol. 1041] Mr. Hoyt: We next offer Exhibit No. 526 from E. W. Furst to Lamot du Pont, President of the du Pont Company, dated January 8, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 526.)

(Said Government's Exhibit No. 526 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I should now like to call the Court's attention to paragraph 82 of the Complaint, and to the answer of the du Pont Company thereto.

The du Pont Company denies the averment in this paragraph except that it admits and avers that on occasion and for various purposes its employees have requested and obtained information from General Motors as to its suppliers.

Mr. Ford: We would like next to offer Exhibit No. 527, a letter from John L. Pratt to R. R. M. Carpenter, dated April 13, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 527.)

[fol. 1042] (Said Government's Exhibit No. 527 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Exhibit No. 528, a letter from the Assistant Manager of du Pont, Pyralin Department, to Mr. John L. Pratt, dated April 20, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 528.)

(Said Government's Exhibit No. 528 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I do not propose to read the table attached.

I next offer Exhibit No. 529, a letter from L. R. Beardslee to J. H. Main, of the Purchasing Staff, dated January 18, 1934.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 529.)

(Said Government's Exhibit No. 529 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next wish to offer Government's Exhibit No. 530, and read it.

It is a letter from G. H. Kerr to P. S. du Pont, and it is dated March 31, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 530.)

[fol. 1043] (Said Government's Exhibit No. 530 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next offer Government's Exhibit No. 531.

Can you supply the author of this letter?

Mr. Harlan: Mr. P. S. du Pont.

Mr. Ford: A letter from Pierre du Pont to Alfred P. Sloan, dated April 7th, 1924.

(Said Government's Exhibit No. 531 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 531.)

Mr. Ford: I next offer Government's Exhibit No. 532, a letter from Alfred P. Sloan, Jr., to P. S. du Pont, dated April 12th, 1924, on the subject re: Matter of Reciprocity:

(Said Government's Exhibit No. 532 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 532.)

Mr. Hoyt: I next offer Government's Exhibit No. 533 from G. H. Kerr to Pierre S. du Pont on the letterhead of the du Pont Company, dated April 18th, 1924.

(Said Government's Exhibit No. 533 was thereupon read to the Court by Mr. Hoyt.)

[fols. 1044-1045] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 533.)

Mr. Hoyt: I next propose to offer several excerpts from Exhibit No. 534.

[fol. 1046] Mr. Hoyt: I next offer Government's Exhibit No. 535, addressed to Alfred P. Sloan, Jr., President, General Motors Corporation, and signed by G. H. Kerr with copies to Mr. William Coyne and Mr. P. S. du Pont, dated April 30th, 1924.

(Said Government's Exhibit No. 535 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 535.)

We next offer Exhibit No. 536, which is headed "Matter of Relation Between Fisk Rubber Company and du Pont Company," dated August 13, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 536.)

Mr. Hoyt: This is addressed to Mr. James Lynah, Secretary, General Purchasing Committee, General Motors Corporation. The letter is from Alfred P. Sloan.

(Said Government's Exhibit No. 536 was thereupon read to the Court by Mr. Hoyt.)

[fol. 1047] Mr. Hoyt: We next offer Government's Exhibit No. 537, which is entitled "Excerpts from Minutes of Meeting No. 16 of Interdivisional Relations Committee—General Purchasing Committee held September 5, 1924."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 537.)

Mr. Hoyt: This is on the letterhead of the General Motors Corporation, and is entitled "Reciprocity."

(Said Government's Exhibit No. 537 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Exhibit No. 538, on the letterhead of General Motors Corporation, the General Purchasing Committee.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 538.)

Mr. Hoyt: This is dated August 13, 1924, signed by James Lynah, addressed to Mr. G. H. Kerr, with a copy to Mr. Pfatt.

(Said Government's Exhibit No. 538 was thereupon read to the Court by Mr. Hoyt.)

Mr. Ford: We next offer Government's Exhibit No. 539, letter from James Lynah to Mr. Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 539.)

[fol. 1048] Mr. Ford: This is dated September 6, 1924, and reads as follows:

(Said Government's Exhibit No. 539 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Exhibit No. 540, a letter from Irene du Pont to Mr. James Lynah, dated September 8, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 540.)

(Said Government's Exhibit No. 540 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Exhibit No. 541, a letter from Hunter Grubb to Mr. John Lee Pratt, marked "Personal & Confidential" dated September 11, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 541.)

(Said Government's Exhibit No. 541 was thereupon read to the Court by Mr. Ford.)



Mr. Ford: We next offer Government's Exhibit No. 542, a letter from J. L. Pratt to Mr. Hunter Grubb, marked "Personal and Confidential," dated September 22, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 542.)

(Said Government's Exhibit No. 542 was thereupon read to the Court by Mr. Ford.)

[fol. 1049] Mr. Ford: We next offer Government's Exhibit No. 543, a memorandum to Mr. Lamot du Pont from L. P. Mahoney, dated January 23.

\* \* \* \* \*

[fol. 1050] Mr. Ford: I next offer Government's Exhibit No. 544, a letter from W. F. Harrington to Mr. J. L. Pratt, dated January 29th, 1929.

(Said Government's Exhibit No. 544 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 544.)

[fol. 1051] Mr. Ford: I next offer Exhibit No. 545, which is a letter from J. L. Pratt to W. F. Harrington, dated January 31, 1929.

(Said Government's Exhibit No. 545 was thereupon read to the Court by Mr. Ford.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 545.)

Mr. Hoyt: I next offer Government's Exhibit No. 546, a letter from J. W. Fitterer, Manager, Cellulose Acetate Sales, on the letterhead of the du Pont Rayon Company, dated August 30th, 1934, addressed to Mr. John Lee Pratt, Vice President of General Motors.

(Said Government's Exhibit No. 546 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 546.)

Mr. Hoyt: I next offer Government's Exhibit No. 547 from Mr. Pratt to Mr. J. W. Fitterer, dated August 31st, 1934.

(Said Government's Exhibit No. 547 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 547.)

[fol. 1052] We next offer Government's Exhibit No. 548 from J. W. Fitterer to J. L. Pratt, Vice-President, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 548.)

\* \* \* \* \*

[fol. 1053] Mr. Hoyt: We next offer Government's Exhibit No. 554, which is a letter on the letterhead of du Pont Rayon Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 554.)

Mr. Hoyt: This is from the General Manager of the Technical Department, addressed to Mr. John Lee Pratt, dated April 6, 1934.

(Said Government Exhibit No. 554 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: We next offer Government's Exhibit No. 555, dated April 8, 1934.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 555.)

\* \* \* \* \*

[fols. 1054-1056] Mr. Ford: The next segment of the documentary evidence which the Government proposes to offer is in Volume 4, your Honor, and is directed to paragraph 64 of the complaint, which is the allegation on agreements relating to division of fields in the development and exploitation of chemical discoveries.

There is an admission by the du Pont Company. It admits that both prior to its investment in General Motors in 1917 and since then, it has extended its operations into the manufacture of paints and varnishes and related products and also other chemical and allied products.

Mr. Ford: We next offer Government's Exhibit No. 557, a document entitled, "Advice of Action" from Mr. M. D. Fisher, Secretary Executive Committee, to Mr. R. R. M. Carpenter;

[fol. 1057] Mr. Ford: I next offer Government's Exhibit No. 558, a document entitled "Advice of Action" from the Secretary of the Executive Committee, Mr. Lammot du Pont, with a copy to Dr. C. L. Reese, and the subject is "Work done by Chemical Department for General Motors Corporation, Action taken by Executive Committee at meeting of January 12, 1920."

[fols. 1058-1059] Mr. Ford: I next offer Government's Exhibit No. 575, a memorandum from Lammot du Pont to the Executive Committee dated April 22nd, 1920, and I wish to read only portions.

[fol. 1060] Mr. Ford: I next offer Government's Exhibit No. 576.

[fols. 1061-1062] Mr. Ford: We next offer Exhibit No. 576, memorandum from Irene du Pont to Mr. Lammot du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 576.)

Mr. Ford: This is dated May 3, 1920:

(Said Government's Exhibit No. 576 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Government's Exhibit No. 230, a letter from Charles L. Reese, Chemical Director, to Mr. Lammot du Pont, dated April 28, 1920.

I desire to read only the last paragraph on page 2.

Mr. Harlan: Mr. Ford, I think you have given the wrong number. It should be No. 577. No. 230 is the deposition number.

[fols. 1063-1065] We next wish to offer Government's Exhibit No. 579, which is entitled "Memorandum of Discussion of Proposed Agreement Between the du Pont Company and General Motors Corporation by which the Services of the Chemical Department of the du Pont Company might be made Available to the General Motors Corporation."

[fols. 1066-1068] We next offer Exhibit No. 580.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 580.)

[fol. 1069] Mr. O'Brian: Solely for clarification, I would like to draw the Court's attention to the fact that this exhibit or proposed agreement which was just read was never executed as shown by Exhibit 598 subsequently. It was abandoned.

Mr. Ford: We will stipulate it was never formally signed. I do not want to stipulate that its terms or spirit was never carried out.

\* \* \* \* \*

[fols. 1070-1072] Mr. Ford: We next offer Exhibit No. 581, a letter from Lamont du Pont to Mr. C. F. Kettering, President, General Motors Research Corporation, dated October 10, 1941.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 581.)

(Said Government's Exhibit No. 581 was thereupon read to the Court.)

Mr. Hoyt: I next offer Government's Exhibit No. 582 from C. F. Kettering to Lamont du Pont, dated October 21, 1921.

(Said Government's Exhibit No. 582 was thereupon read to the Court by Mr. Hoyt.)

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 582.)

Mr. Hoyt: I next offer Government's Exhibit No. 583, a letter from Lammot du Pont to C. F. Kettering, dated October 24th, 1921. I do not intend to read from that exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 583.)

[fol. 1073] Exhibit No. 585, consisting of a letter from Mr. Lammot du Pont to Pierre S. du Pont, dated October 31, 1921.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 585.)

Mr. Hernacki: The letter reads as follows:

(Said Government's Exhibit No. 585 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 584, consisting of a letter from Mr. C. F. Kettering, President, to Mr. Lammot du Pont, Vice-President, du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 584.)

Mr. Hernacki: This is dated November 5, 1921:

(Said Government's Exhibit No. 584 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 589, consisting of a letter from Mr. Lammot du Pont to Mr. C. F. Kettering, President, dated March 27, 1922, which I shall not read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 589.)

Mr. Hernacki: I now offer Government's Exhibit No. 590, consisting of a letter from Kettering, President, General Motors Research Corporation, to Mr. Lammot du Pont.

[fols. 1074-1076] Mr. Hernacki: I now offer Government's Exhibit No. 591, consisting of a letter from Mr. Lammot du Pont to Mr. C. F. Kettering, President, General Motors



Research Corporation, dated April 1, 1922. I shall not read this.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 591.)

Mr. Hernacki: I now offer Government's Exhibit No. 592, consisting of a letter from C. F. Kettering to Mr. L. du Pont, Vice-President of the du Pont Company, dated April 3, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 592.)

[fol. 1077] Mr. Hernacki: I now offer Government's Exhibit No. 593, consisting of a letter from Mr. Lamot du Pont to Mr. C. F. Kettering, President, General Motors Research Corporation, dated April 14, 1922.

I shall not read this letter, but simply offer it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 593.)

Mr. Hernacki: I now offer Government's Exhibit No. 594, consisting of a letter from Mr. C. F. Kettering to Mr. Lamot du Pont, dated May 8, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 594.)

(Said Government's Exhibit No. 594 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 595, consisting of a letter to Mr. P. S. du Pont, from Mr. C. F. Kettering, dated May 2, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 595.)

(Said Government's Exhibit No. 595 was thereupon read to the Court.)

Mr. Hernacki: I now offer Government's Exhibit No. 598, consisting of a memorandum for file, written by Mr. Lamot [fol. 1078] du Pont, Vice President, and the date below the initials is November 6, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 598.)

Miss Hunt: We are now offering Government's Exhibit No. 598, a letter from Mr. K. W. Zimmerschied to C. M. Stine of E. I. du Pont de Nemours & Company dated October 28, 1919.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 599.)

(Government's Exhibit No. 599 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: We are now offering Government's Exhibit No. 601, a letter from Thomas Midgley to the E. I. du Pont de Nemours & Company, attention Dr. Reese, Chemical Director, dated August 5, 1920, without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 601.)

Miss Hunt: We are now offering Government's Exhibit 602, a letter from Lamot du Pont to Mr. C. F. Kettering, dated August 14, 1920, without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 602.)

Miss Hunt: We are now offering Government's Exhibit [fol. 1079] 601, a memorandum from Pierre S. du Pont to Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 610.)

Miss Hunt: We are now offering Government's Exhibit No. 611, a letter from Mr. Thomas Midgley to Dr. C. M. Stine of E. I. du Pont de Nemours & Company, dated April 15, 1922.

Miss Hunt: We are now offering Government's Exhibit No. 612, a letter from Irene du Pont to C. F. Kettering, dated July 10, 1922; reading only a portion therefrom, the first paragraph:

[fol. 1080] Miss Hunt: I now offer Government's Exhibit No. 613, a letter from Irene du Pont to Dr. C. M. Stine, W. F. Harrington, and C. L. Reese, dated July 12th, 1922.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 613.)

(Said Government's Exhibit No. 613 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: I now offer Government's Exhibit No. 615, a memorandum from F. O. Clements, Director of Research, General Motors Research Corporation, to the Executive Committee, General Motors Corporation, Mr. R. L. Beardsley, Secretary, with the subject, "Report of Research Laboratories for the Month of August."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 615.)

\* \* \* \* \*

[fol. 1081] Mr. Ford: We next offer Government's Exhibit No. 617, a letter from Alfred P. Sloan to C. F. Kettering, President, General Motors Research Corporation, dated September 27th, 1922, with a carbon copy to Irene du Pont.

\* \* \* \* \*

[fols. 1082-1086] Mr. Ford: We next offer Government's Exhibit No. 618, a contract dated October 6th, 1922, and signed by E. I. du Pont de Nemours and Company, by Irene du Pont, President, and General Motors Corporation by Pierre S. du Pont, President, and I would like to read a substantial portion of this contract.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 618.)

[fols. 1087-1090] We next offer Government's Exhibit No. 621, a letter from F. W. Pickard, General Manager, to Mr. Irene du Pont, dated June 15, 1923.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 621.)

[fol. 1091] Mr. Ford: We would next like to offer Government's Exhibit No. 620, which I might characterize as an agreement between General Motors Chemical Company and the Standard Oil Company, the franchise for the distribution

of tetra-ethyl-lead on the eastern seaboard which was referred to in the preceding exhibit.

I do not propose to read it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 620.)

Mr. Ford: We would like to offer Government's Exhibit No. 622 which is a letter from A. P. Sloan to Irene du Pont, dated January 28, 1924. That is the one I just finished.

Mr. O'Brian: Yes, you are up to 623.

Miss Hunt: We are now offering Exhibit No. 623, a letter from Irene du Pont to Alfred P. Sloan, Jr., dated February 2, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 623.)

(Said Government's Exhibit No. 623 was thereupon read to the Court by Miss Hunt.)

[fol. 1092] Miss Hunt: We now offer Government's Exhibit No. 624, a letter from Alfred P. Sloan, Jr., to Irene du Pont, dated February 5th, 1924, together with an attachment thereto:

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 624.)

[fol. 1093] I now offer Government's Exhibit No. 625, a letter from the President of General Motors Corporation to Irene du Pont, dated January 12th, 1924, which will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 625.)

[fol. 1094] Miss Hunt: I offer now Government's Exhibit No. 626, a memorandum from Irene du Pont to Mr. W. F. Harrington, dated January 14th, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 626.)

(Said Government's Exhibit No. 626 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: I now offer Government's Exhibit No. 628, a letter from Irene du Pont to the Executive Committee, dated January 14th, 1924, which will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 628.)

Miss Hunt: I now offer Government's Exhibit No. 630, a letter from Irene du Pont to Alfred P. Sloan, Jr., dated January 18th, 1924, which will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 630.)

Miss Hunt: I now offer Government's Exhibit No. 631, a letter from Mr. Kettering to A. P. Sloan, Jr., dated September 8th, 1924, which will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 631.)

Miss Hunt: I now offer Government's Exhibit No. 640, a letter from Fin Sparre to Inspector General Patart of the [fol. 1095] Ministry of War, Paris, France, dated October 10th, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 640.)

(Said Government's Exhibit No. 640 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: I now offer Government's Exhibit No. 641, a letter from Alfred P. Sloan, Jr., to Irene du Pont, dated December 27th, 1924, which will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 641.)

Miss Hunt: I now offer Government's Exhibit No. 642, a letter from Irene du Pont to Alfred P. Sloan, Jr., dated December 30th, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 642.)



[fol. 1096] I now offer Government's Exhibit No. 647, a letter from Thomas Midgley, Jr., to Irene du Pont, dated April 8, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 647.)

\* \* \* \* \*

[fol. 1097] I shall now offer Government's Exhibit No. 648, a letter from Irene du Pont to Thomas Midgley, Jr., with copy to Dr. Fin Sparre and W. F. Harrington, dated April 9, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 648.)

\* \* \* \* \*

[fol. 1098] Mr. Hernacki: I now offer Government's Exhibit No. 657, consisting of a telegram from Mr. C. F. Kettering to Mr. A. P. Sloan, General Motors, dated June 5, 1924. I shall not read it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 657.)

Mr. Hernacki: I now offer Government's Exhibit No. 659, [fols. 1099-1100] consisting of an inter-organizational letter from Mr. Pierre S. du Pont to Mr. Alfred P. Sloan, Jr., dated June 5, 1924. I shall not read it.

(Said Exhibit No. 659, so offered and received in evidence, was marked Government's Exhibit No. 659.)

Mr. Hernacki: I now offer Government's Exhibit No. 660, consisting of a letter from Mr. Irene du Pont, President, du Pont Company to Mr. Alfred P. Sloan, Jr.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 660.)

Mr. Hernacki: This is dated June 26, 1924.

(Said Government's Exhibit No. 660, was read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 661, consisting of a letter from Mr. Alfred P. Sloan, Jr., to Mr.

Irenee du Pont, President of the du Pont Company, dated June 27, 1924.

[fols. 1101-1102] I now offer Government's Exhibit No. 662, a letter from Mr. Irene du Pont, President of the du Pont Company, to Mr. W. F. Harrington dated June 30, 1924. I shall not read it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 662.)

Mr. Hernacki: I now offer Government's Exhibit No. 663 consisting of a letter from Mr. Irene du Pont to Mr. Alfred P. Sloan, Jr., dated June 30, 1924.

I now offer Government's Exhibit No. 664, a letter from Alfred P. Sloan, Jr., to Mr. Irene du Pont, dated July 8, 1924.

[fols. 1103-1104] Mr. Hernacki: I now offer Government's Exhibit No. 665 consisting of an extract from the Minutes of the meeting of the Executive Committee of General Motors Corporation duly held on the 27th day of February, 1924, and signed by George E. Brooks, Secretary.

Mr. Hernacki: I shall now read Government's Exhibit No. 666, consisting of a letter from Mr. Alfred P. Sloan, Jr., to Mr. C. F. Kettering, President, General Motors Research Corporation, dated July 25, 1924.

Mr. Harris: You have offered that in evidence, Mr. Hernacki?

Mr. Hernacki: I do now offer it in evidence.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 666.)

[fol. 1105] Mr. Ford: We next offer Government's Exhibit No. 667, an extract from the minutes of the meeting of the Finance Committee of General Motors Corporation the 27th of August, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 667.)

[fols. 1106-1113] (Said Government's Exhibit No. 667 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: We next offer Government's Exhibit No. 668 which is an agreement dated August 1, 1924, between General Motors Corporation and the Standard Oil Company of New Jersey.

This agreement has certain exhibits attached to it, and it is stipulated that Exhibits A and C attached to it, although they do not appear here in the exhibits as being signed contracts, it is stipulated that they were signed.

Is that correct?

Mr. Horsky: That is correct.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 668.)

[fol. 1114] We wish to offer without reading Exhibit No. 670, and we wish to offer without reading Exhibit No. 672.

(Said documents, so offered and received in evidence, were marked Government's Exhibits Nos. 670 and 672, respectively.)

Mr. Hernacki: We wish to offer Government's Exhibit No. 673 which is a memorandum of Conference between Messrs. P. S. du Pont, Irene du Pont and W. F. Harrington of the du Pont Company; and Messrs. A. P. Sloan, Jr., and T. Midgley, Jr., of General Motors Chemical Company. Subject: Tetra Ethyl Lead. Dated August 11, 1924.

\* \* \* \* \*

[fols. 1115-1117] Mr. Hernacki: I wish to offer Government's Exhibit No. 675.

[fols. 1118-1120] Mr. Hernacki: I now offer Government's Exhibit No. 676 which consists of a memorandum of Meeting of Board of Directors of Ethyl Gasoline Corporation held in the Office of the Standard Oil Company, 26 Broadway, December 23, 1924.

[fol. 1121] Mr. Hernacki: I now offer Government's Exhibit No. 677, consisting of a letter from Mr. Frank A. Howard, to Mr. Irene du Pont, dated March 28, 1925. Subject: "Adjustment of Lead Price."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 677.)

[fol. 1122] (Said Government's Exhibit No. 677 was thereupon read to the Court by Mr. Hernacki.)

Miss Hunt: We next offer Government's Exhibit No. 678, a letter from Alfred P. Sloan, Jr., to Irene du Pont, dated March 28th, 1925, with copies to P. S. du Pont and Lamont du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 678.)

(Said Government's Exhibit No. 678 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: We next offer Government's Exhibit No. 679, a letter from Irene du Pont to Frank Howard, with copies to Alfred Sloan, Jr., W. F. Harrington, dated April 3rd, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 679.)

(Said Government's Exhibit No. 679 was thereupon read to the Court by Miss Hunt.)

We next offer Government document 680, a letter from Alfred P. Sloan, Jr., to Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 680.)

[fol. 1123] Miss Hunt: This is dated April 10, 1925:

(Said Government's Exhibit No. 680 was thereupon read to the Court by Miss Hunt.)

Miss Hunt: We next offer Government's Exhibit No. 681, a letter from E. W. Webb, President, Ethyl Gasoline Corporation, to Irene du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 681.)

[fol. 1124] We next offer Government's Exhibit No. 682, a letter from Irene du Pont to John J. Raskob of the General Motors Corporation, with copy to Mr. E. W. Webb, President of the Ethyl Gasoline Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 682.)

[fol. 1125] Miss Hunt: We are next offering Government's Exhibit No. 684, a letter from A. E. Mittnacht of the Ethyl Gasoline Corporation, to Alfred P. Sloan, Jr., dated June 12th, 1925, without reading the letter.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 684.)

Miss Hunt: We are next offering Government's Exhibit No. 683, a letter from Irene du Pont to E. W. Webb, dated June 29th, 1925, which is not being read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 683.)

Miss Hunt: We next offer Government's Exhibit No. 685, a letter from E. W. Webb to Alfred P. Sloan, Jr., dated June 27th, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 685.)

(Said Government's Exhibit No. 685 was thereupon read to the Court by Miss Hunt.)

Mr. Ford: We next offer Exhibit No. 687, a letter from W. S. Carpenter to Mr. Irene du Pont dated June 30, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 687.)

(Said Government's Exhibit No. 687 was thereupon read to the Court by Mr. Ford.)

[fols. 1126-1127] Mr. Ford: We next offer Government's Exhibit No. 686, which is a letter from Frank A. Howard on the stationery of the Standard Oil Company to Mr. E. W. Webb, dated June 29, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 686.)

[fols. 1128-1131] Mr. Houchins: Continuing, your Honor, with the same general subject matter that we were in yesterday when we recessed, the matter of tetraethyl lead, the Government offers Government Trial Exhibit No. 688.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 688.)



Mr. Houchins: This is a letter from Irene du Pont, President of the du Pont Company to Mr. E. W. Webb, President of the Ethyl Gasoline Corporation dated July 1, 1925.

A notation on the letter indicates that the letter was read to Webb, but was not sent to him, the notation signed by Irene du Pont.

The letter reads as follows:

(Said Government's Exhibit No. 688 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 690. This is a letter from Mr. E. W. Webb to Mr. Irene du Pont, dated July 27, 1925. Mr. Webb wrote as President of the Ethyl Gasoline Corporation, re: Chloride Process Contract Adjustment.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 690.)

[fol. 1132] Mr. Houchins: The Government now offers Government's Trial Exhibit No. 691, which is a letter from E. W. Webb, President of the Ethyl Gasoline Corporation, to Mr. Alfred P. Sloan, Jr., President of General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 691.)

Mr. Houchins: The letter is dated August 6th, 1925, and concerns lead contract.

(Said Government's Exhibit No. 691 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government's Trial Exhibit No. 692, a letter from Alfred P. Sloan, Jr., President of General Motors Corporation, to Mr. E. W. Webb, President of Ethyl Gasoline Corporation, August 7th, 1925, re lead contract.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 692.)

[fol. 1133] (Said Government's Exhibit No. 692 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government's Trial Exhibit No. 693, which it does not propose to read, being a continuation of the same subject-matter.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 693.)

Mr. Houchins: The Government next offers Government's Trial Exhibit No. 694, which is a letter from A. M. Maxwell, Vice President and Sales Manager of the Ethyl Gasoline Corporation to Mr. Donaldson Brown, Vice President of General Motors Corporation. The subject-matter is indicated as being a \$250,000.00 loan, and it is dated March 10th, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 694.)

(Said Government's Exhibit No. 694 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government's Trial Exhibit No. 695, which is a letter from Donaldson Brown to the Finance Committee of General Motors, March 16th, 1925, and the subject-matter is "Loan to Ethyl Gasoline Corporation."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 695.)

(Said Government's Exhibit No. 695 was thereupon read to the Court by Mr. Houchins.)

[fol. 1134] Mr. Houchins: The Government next offers Government's Trial Exhibit No. 696, which is a memorandum from C. D. Hartman, Jr., on the letterhead of General Motors Corporation, dated April 13th, 1925, for the attention of Donaldson Brown.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 696.)

(Said Government's Exhibit No. 696 was thereupon read to the Court by Mr. Houchins.)

The Government next offers Government's Trial Exhibit No. 697, which is an extract from Minutes of Meeting of the

Finance Committee of General Motors Corporation held April 13, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 697.)

Mr. Houchins: Among those present as indicated were John J. Raskob, Chairman, H. F. du Pont, Lamont du Pont, Ireneé du Pont, Donaldson Brown, Alfred P. Sloan, Jr., and George Whitney.

(Said Government's Exhibit No. 697 was thereupon read to the Court by Mr. Houchins.)

The Government now offers Government's Trial Exhibit No. 698, which is Extract from Minutes of Meeting of the Finance Committee of General Motors Corporation, held on April 27, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 698.)

[fol. 1135] (Said Government's Exhibit No. 698 was thereupon read to the Court by Mr. Houchins.)

The Government now offers Government's Trial Exhibit No. 699 which is another Extract from the Minutes of Meeting of the Finance Committee of General Motors Corporation held June 1, 1925.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 699.)

Mr. Houchins: This document is a continuation of the matter of the loan previously discussed, and the Government does not propose to read it.

The Government next offers Government's Trial Exhibit No. 700, which is another Extract from Minutes of Meeting of the Finance Committee of General Motors Corporation, held on July 24, 1925.

This offer continues the discussion of the same subject matter and will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 700.)

Mr. Harris: Government next offers Government's Trial Exhibit No. 702, letter from Ireneé du Pont, President

du Pont Company, copy to Mr. W. F. Harrington, addressed to Mr. E. W. Webb, President of Ethyl Gasoline Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 702.)

[fols. 1136-1137] Mr. Harris: This is dated May 7, 1925.

(Said Government's Exhibit No. 702 was thereupon read to the Court by Mr. Harris.)

We next offer Government's Exhibit No. 703, a letter on the letterhead of General Motors Corporation of New York.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 703.)

Mr. Harris: This is signed Alfred P. Sloan, Jr., dated January 26, 1926, to Earle W. Webb, President, Ethyl Gasoline Corporation.

(Said Government's Exhibit No. 703 was thereupon read to the Court by Mr. Harris.)

We next offer Government's Exhibit No. 704, which is a letter with the initials A. P. S., Jr., which we take to be Alfred P. Sloan, dated February 8, 1926, to Irene du Pont, President, E. I. du Pont de Nemours & Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 704.)

[fol. 1138] Mr. Harris: We offer Exhibit No. 705, on the letterhead of the E. I. du Pont de Nemours and Company, signed Irene du Pont, President, dated February 10th, 1926, to Alfred P. Sloan, Jr., President, General Motors.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 705.)

[fols. 1139-1143] We offer Exhibit No. 706, which is an agreement made on the part of the E. I. du Pont de Nemours and Company by W. F. Harrington, General Manager, Dye-stuffs, and by Ethyl Gasoline Corporation by E. W. Webb, President, dated March 31st, 1926; du Pont is called the seller and Ethyl is called the buyer.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 706.)

[fols. 1144-1145] We next offer Exhibit 708, which is a letter from Irene du Pont, President, to Alfred P. Sloan, Jr., dated December 3, 1924.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 708.)

(Said Government's Exhibit No. 708 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: Next, No. 709, a letter of Alfred P. Sloan on the letterhead of General Motors Corporation to Mr. Irene du Pont, President.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 709.)

[fols. 1146-1147] Mr. Harris: The next is a letter bearing the initials "APSJR", which we will take to be Mr. Sloan, dated December 12th, 1924. It is Exhibit No. 710, which we now offer.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 710.)

Mr. Harris: It is a letter to Irene du Pont, President.

(Said Government's Exhibit No. 710 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: I offer now No. 711, a letter from Irene du Pont to E. W. Webb, dated June 2nd, 1926, copy for Mr. Sloan and for W. F. Harrington.

[fol. 1148] I next offer Government's Exhibit No. 712, which is "Extract from Minutes of Meeting of the Executive Committee of General Motors Corporation duly held on the 30th day of December, 1924."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 712.)

Mr. Harris: I shall read it all.

(Said Government's Exhibit No. 712 was thereupon read to the Court by Mr. Harris.)



Mr. Harris: I offer Government's Exhibit No. 713, "Extract from Minutes of Meeting of the Executive Committee of General Motors Corporation duly held on the 5th day of January, 1925."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 713.)

Mr. Harris: I shall read it all.

(Said Government's Exhibit No. 713 was thereupon read to the Court by Mr. Harris.)

[fol. 1149] Mr. Harris: I now offer Government's Exhibit No. 714, "Cable from London Office, March 22, 1926."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 714.)

Mr. Harris: I shall read it all.

(Said Government's Exhibit No. 714 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: We next offer Government's Exhibit No. 715, a letter from Irene du Pont to Alfred P. Sloan, Jr., copy for Mr. Jasper E. Crane, dated June 8, 1926.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 715.)

Mr. Harris: I shall read it all.

(Said Government's Exhibit No. 715 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: The next document we offer is Government's Exhibit No. 716. It is a suggested form of letter by Ethyl Gasoline Corporation to I. G. Farbenindustrie A. G.

Mr. Horsky: Mr. Harris, will you permit me to say that under the pre-trial stipulation, I take it we are not agreed that the letter was sent since it is captioned this way.

So far as we know, it was not sent.

Mr. Harris: That is for the record. That is right.

[fol. 1150] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 716.)

Mr. Harris: The date is June 25, 1926. It has a covering to Mr. Irene du Pont from J. E. Crane, "For information." This is the suggested form of letter:

(Said Government's Exhibit No. 716 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: I next offer Government's Exhibit No. 717, a short letter from L. du P., which we will assume to be Lamot du Pont, signed President, to Mr. A. P. Sloan, Jr., President, copy to Mr. Irene du Pont, Vice-President.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 717.)

Mr. Harris: This is dated July 24, 1926, and I shall read it all.

(Said Government's Exhibit No. 717 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: We next offer Government's Exhibit No. 718, which is a document dated November 18, 1926, to Mr. Lamot du Pont, and signed by Irene du Pont; copies to Mr. Haskell and Mr. Pickard.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 718.)

[fol. 1151] I offer Exhibit 720, and will read it all. It is a letter from E. W. Webb to Alfred P. Sloan, Jr., dated January 11, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 720.)

(Said Government's Exhibit No. 720 was thereupon read to the Court by Mr. Harris.)

Mr. Harris: Next I will offer Government's Exhibit No. 721, which is a letter dated January 11, 1927, apparently signed by E. W. Webb or from E. W. Webb to Mr. Frank A. Howard.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 721.)

[fol. 1152] Mr. Ford: We next offer Exhibit No. 722, a letter from I. G. Farben signed by Dr. Abel to Frank A. Howard, dated December 22, 1926.

\* \* \* \* \*

[fols. 1153-1154] We next offer Government's Exhibit No. 723, a contract dated January 10, 1927, between I. G. Farben and Ethyl Gasoline Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 723.)

[fol. 1155] We wish now to offer Government's Exhibit No. 745, contract dated the 31st day of March, 1928, between du Pont and Ethyl.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 745.)

\* \* \* \* \*

[fol. 1156] I wish next to offer Government's Exhibit No. 746, without reading. This might be characterized as a blending contract between Ethyl Gasoline Corporation and du Pont; that is, the blending of the ethyl fluid from the tetraethyl lead.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 746.)

[fol. 1157] Mr. Ford: I next wish to offer Government's Exhibit No. 747 and read portions on pages 2, 3 and 4.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 747.)

\* \* \* \* \*

[fol. 1158] Mr. Ford: Next I would like to offer Exhibit No. 748, a letter from Alfred P. Sloan, Jr., to Earle W. Webb, President, Ethyl Gasoline Corporation, dated March 28, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 748.)

\* \* \* \* \*

[fol. 1159] I next offer Exhibit No. 749, a letter from E. W. Webb to Mr. Alfred P. Sloan, Jr., President, dated April 3, 1930.

[fols. 1160-1161] Mr. Ford: We next offer Exhibit No. 750, a letter from Alfred P. Sloan to Mr. Earle W. Webb, President, Ethyl Gasoline Corporation, dated April 5, 1930.

[fols. 1162-1163] Mr. Ford: We next offer Exhibit No. 751, a letter from Alfred P. Sloan to Lamont du Pont, dated April 18th, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 751.)

[fols. 1164-1166] Mr. Ford: I next offer Government's Exhibit No. 752, a contract dated the 26th of February, 1930, between du Pont and the Ethyl Gasoline Corporation, and I wish to read certain portions on pages 1, 2, 3, 4, 6, and 7.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 752.)

[fol. 1167] We next offer Government's Exhibit No. 753, and I wish to read portions of page 2 and 3. This is contract dated the 26th of September, 1931, between du Pont and Ethyl.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 753.)

[fol. 1168] We next offer Government's Exhibit No. 754, which may be characterized as another manufacturing contract between du Pont and Ethyl.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 754.)

[fol. 1169] Mr. Ford: I now wish to offer Government's Exhibit No. 755, and for brevity and expediency, I should like not to read it, but to invite the Court's attention to similar provisions of paragraph numbered 2 and paragraph numbered 4,—I am sorry, your Honor. I merely want to offer this one without reading it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 755.)

Mr. Ford: We next offer Government's Exhibit No. 756, contract dated the 29th day of May, 1930, between du Pont and Ethyl Gasoline Corporation which we wish to offer without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 756.)

Mr. Ford: We wish to offer Exhibit No. 757, a contract dated the 24th of August, 1934, between du Pont and Ethyl. It may be characterized as another contract for manufacture of tetraethyl lead.

\*     \*     \*     \*     \*     \*     \*

[fols. 1170-1171] Mr. Ford: I next offer Government's Exhibit No. 758, a contract dated the 20th of December, 1935, between du Pont and Ethyl Corporation. It may be characterized as another manufacturing contract.

I wish to offer it without reading it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 758.)

Mr. Ford: I wish to offer now Government's Exhibit No. 759, a contract dated the first day of July, 1936, between du Pont and Ethyl. It may be characterized as another manufacturing contract containing similar provisions as in the earlier contract which we wish to offer without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 759.)

Mr. Houchins: I now offer Government's Exhibit No. 762, which is a letter from Alfred P. Sloan, Jr., President of General Motors to Lamot du Pont, dated July 17, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 762.)

[fol. 1172] We now offer Exhibit No. 763, which is a reply to the letter previously offered from Lamot du Pont to Alfred P. Sloan, Jr., dated July 22, 1931.



(Said document, so offered and received in evidence, was marked Government's Exhibit No. 763.)

[fol. 1173] The Government now offers Government Trial Exhibit No. 764, which is a letter from Alfred P. Sloan, Jr., President, General Motors, to Lammot du Pont, dated July 28, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 764.)

• • • • •

[fols. 1174-1175] The Court: You may proceed.

Mr. Houchins: If the Court please, commencing where we stopped before the noon recess, the Government offers Government's Trial Exhibit No. 766 which is a letter from Lammot du Pont to Alfred P. Sloan, Jr., President of General Motors Corporation, dated February 25th, 1932.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 766.)

(Said Government's Exhibit No. 766 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 767, which is a letter from Alfred P. Sloan, Jr., as indicated by the dictator's initials, President of General Motors Corporation, to Mr. Lammot du Pont, President of the du Pont Corporation, dated February 27th, 1932.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 767.)

[fols. 1176-1177] The Government next offers Government Trial Exhibit No. 769, which is a letter to Alfred P. Sloan, Jr., President of General Motors Corporation, from Lammot du Pont, dated September 20th, 1933.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 769.)

(Said Government's Exhibit No. 769 was thereupon read to the Court by Mr. Houchins.)

Mr. Houchins: The Government next offers Government Trial Exhibit No. 768, a letter from E. G. Robinson, writing

as General Manager of the Organic Chemicals Department of the du Pont Corporation to Mr. Mittnacht, September 15th, 1933.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 768.)

[fols. 1178-1179] The Government next offers Government Trial Exhibit No. 770, which is a letter from A. E. Mittnacht of the Ethyl Gasoline Corporation, to Mr. E. G. Robinson, General Manager, of the du Pont Corporation of the Organic Chemicals Department, dated September 19th, 1933.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 770.)

[fols. 1180-1216] Turning now to Volume 5 of the exhibits, the Government next offers Government Trial Exhibit No. 773.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 773.)

[fol. 1217] Mr. Houchins: The Government next offers Government Exhibit No. 774, which we do not propose to read but simply invite your Honor's attention to the exhibit as being a chronological history of the development of tetraethyl lead up to the commencement of the year 1936.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 774.)

Mr. Horsky: Your Honor, might I state, just to clarify the record, that this contains the exhibits attached to the previous report that we have been reading, and the numbers or letters in 773 refer to similar letters in 774.

The Court: I understand.

[fols. 1218-1219] Mr. Houchins: That is correct.

The Government next offers Government Trial Exhibit No. 775, which is a letter from Irene du Pont to Mr. W. J. Beadle, Assistant Director, Development Department. A copy is indicated as going to Lamont du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 775.)

[fol. 1220] Mr. Eisen: We should now like to offer Ex-

hibit No. 779, which is a letter from E. W. Webb to Lammot du Pont, dated December 19th, 1935.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 779.)

[fol. 1221] I now offer Exhibit No. 780, which is a letter from E. W. Webb to Lammot du Pont, dated February 27th, 1936, and I shall read an extract therefrom.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 780.)

[fols. 1222-1225] I next offer Exhibit No. 781, which is a letter from Lammot du Pont to Mr. E. W. Webb, dated March 6th, 1936. I shall not read this letter.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 781.)

Mr. Eisen: I next offer Exhibit No. 782, which is a letter from Mr. E. W. Webb to Mr. Donaldson Brown dated March 18th, 1936. That letter will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 782.)

Mr. Eisen: I next offer Exhibit No. 783, which is a letter from E. W. Webb to Messrs. Donaldson Brown, E. M. Clark, W. S. Farish, F. A. Howard, Alfred P. Sloan, Jr., and W. C. Teagle, dated March 12th, 1936.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 783.)

[fol. 1226] We next offer Government's document No. 785 which is a memorandum of agreement between Ethyl Gasoline Corporation; E. I. du Pont Company and Standard Oil Development Company, dated July 31st, 1936. I shall read excerpts therefrom.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 785.)

[fol. 1227] I next offer Government's document No. 786 which is a memorandum executed by E. W. Webb, November 24th, 1936. I shall not read this memorandum.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 786.)

Mr. Eisen: I next offer Government's Exhibit No. 788 which is a letter executed by Mr. Howard with an attached memo.

I understand that the letter begins at "3" on page 3, and it has been stipulated that this letter is Mr. Howard's letter.

Mr. Horsky: I want to make a slight correction. I agree that the part beginning at the top of page 3 with the letter "3" in the middle of the page is what I understand to be the attached memo from Mr. Howard, although not his letter. The letter from Mr. Howard apparently is not in this exhibit.

Mr. Ford: And then the part from the beginning to that part are the notes on that memorandum?

Mr. Horsky: That is correct.

[fol. 1228] Mr. Eisen: I do not intend to read Government's document No. 788 as offered.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 788.)

I now offer Government's Exhibit No. 790, which is an agreement in connection with the building of a plant at Baton Rouge, executed by Ethyl Corporation, and E. I. du Pont, and Standard Oil Development Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 790.)

Mr. Eisen: I do not intend to read this document.

We next offer Government's Exhibit, document No. 794, which is a memorandum from J. W. McCoy to Messrs. Lamot du Pont, W. S. Carpenter, Jr., and others, dated July 30, 1937.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 794.)

Mr. Eisen: I do not intend to read this memorandum.

I next offer Government's Exhibit No. 795. This is a letter

from Irene du Pont to Alfred P. Sloan, Jr., dated December 20, 1937.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 795.)

\* \* \* \* \*

[fols. 1229-1234] Mr. Ford: We next offer Government Exhibit No. 797, which is a report from the Chairman of the Policy Committee to the Policy Committee of General Motors, signed by Alfred Sloan, bearing the date of December 31, 1937.

The subject is, "Agreement Between Ethyl Gasoline Corp. and E. I. du Pont de Nemours & Co. Covering Manufacture of Tetraethyl Lead."

(Said document so offered and received in evidence was marked Government's Exhibit No. 797.)

[fol. 1235] We next offer Exhibit 798. Would you consent to my offering this without the sketch on the back? I do not want to offer that as an excerpt.

Mr. Horsky: Yes.

Mr. Ford: We offer Government's Exhibit No. 798, the lease, less the map or sketch on the back.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 798.)

\* \* \* \* \*

[fols. 1236-1239] I next offer Government's Exhibit No. 799, which is a Manufacturing Service Agreement dated January 1, 1938, between the Ethyl Gasoline Corporation called the Ethyl Company and the du Pont Company.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 799.)

[fols. 1240-1249] I next offer Exhibit No. 800 which is the license agreement between the du Pont Company and the Ethyl Corporation, Ethyl Gasoline Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 800.)



[fols. 1250-1251] Mr. Ford: We next offer Exhibit No. 801, which may be described as a license agreement dated January 1st, 1938, between Standard Oil and Ethyl. I do not propose to read it. It was in connection with the January 1st, 1938 contracts which were offered at the close of the day yesterday.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 801.)

Mr. Ford: I next offer Exhibit No. 803, which is an amendment to the license grant which is Exhibit A to Trial Exhibit No. 669.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 803.)

[fols. 1252-1255] We next offer Government's Exhibit No. 804, which is a letter from E. G. Robinson, at du Pont to the Ethyl Gasoline Corporation, dated January 6th, 1938. It pertains to the financing of the construction of new lead plants in Baton Rouge.

I do not propose to read it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 804.)

Mr. Ford: I now offer Exhibit No. 806, which is a memorandum from George Russell to Mr. Donaldson Brown, Vice Chairman, on the stationery of General Motors Corporation and bears the date January 12th, 1938.

[fol. 1256] I next offer Government's Exhibit No. 807, a letter from Alfred P. Sloan to Earle Webb, Ethyl Gasoline Corporation, dated January 18, 1938, with copies to Lamot du Pont and Donaldson Brown.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 807.)

Mr. Ford: I do not propose to read this. It bears on the program involving expansion of production.

I next offer Government's Exhibit No. 808, letter from E. G. Robinson, of du Pont, to Lamot du Pont, dated January 31, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 808.)

[fols. 1257-1261] We next offer Government's Exhibit No. 810, report from Donaldson Brown to the Policy Committee, General Motors, dated July 12, 1939. The subject is, "Investment in Ethyl Gasoline Corporation."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 810.)

[fols. 1262-1264] Mr. Ford: I next offer Exhibit No. 811, a memorandum from F. G. Donner, General Assistant Treasurer, to Mr. Albert Bradley, Vice-President, General Motors Corporation dated July 31, 1939, entitled "Ethyl-du Pont Profit Sharing Arrangement."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 811.)

[fols. 1265-1266] I next offer Exhibit No. 821, which is an agreement between the Ethyl Company and du Pont dated January 1, 1945 and may be characterized an extension of the January 1, 1938 contract.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 821.)

[fols. 1267-1270] I next offer Exhibit No. 826, which is the report from the Special Committee to the Board of Directors of General Motors Corporation, dated May 28, 1947, subject: "LEGAL ASPECTS OF GENERAL MOTORS CORPORATION INVESTMENT IN ETHYL CORPORATION."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 826.)

[fol. 1271] I next offer Exhibit 830, which is a letter from General Motors Corporation by F. G. Donner, Vice President of General Motors Corporation to the du Pont Company, and dated December 5th, 1947, and I propose to read certain portions of that.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 830.)

\* \* \* \* \*

[fol. 1272] I wish next to offer Exhibit No. 831, a letter from the Special Committee of the Ethyl Corporation, from

Albert Bradley, General Motors Chairman, to the Board of Directors, dated February 25th, 1948, and it bears on the same subject, Liquidation of the du Pont preferred stock.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 831.)

Mr. Ford: I next offer Exhibit No. 832; a bill of sale of the Ethyl Corporation to the E. I. du Pont de Nemours and Company of certain tangible property in the Deepwater plants, and executed in anticipation of the termination of the 1938 agreements. I do not propose to read that.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 832.)

Mr. Ford: Exhibit No. 833 is an Immunity and Cancellation Agreement of 1938 arrangement made by Ethyl Corporation and the du Pont Company, and bears the date of August 19th, 1947. It is offered without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 833.)

[fol. 1273] Mr. Ford: We offer Exhibit No. 834, which is a table of the distribution of the profits for 1924 to 1947 in the tetraethyl lead operation. It was prepared by the Anti-Trust Division, and I wish to read only the totals.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 834.)

[fol. 1274] Mr. Houchins: If the Court please, the Government now wishes to commence the introduction of evidence concerning the discovery by G. M. of certain fluorine compounds for use as refrigerants, later known as F-12, and the formation by General Motors and du Pont of Kinetic Chemicals, Incorporated.

The pertinent portions of the complaint are paragraph 76 through paragraph 80.

The Government first offers Government Trial Exhibit No. 838, which is a letter from E. G. Biechler, General Manager of Frigidaire Corporation, to J. L. Pratt, Vice-President, General Motors Corporation, dated March 11, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 838.)

\* \* \* \* \*

[fol. 1275] The Government next offers Government Trial Exhibit No. 839, which is an excerpt of a letter to E. G. Biechler from J. L. Pratt. This is in reply to the previous letter, and is dated March 15, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 839.)

\* \* \* \* \*

[fol. 1276] Mr. Houchins: The Government next offers Government Trial Exhibit No. 840, which is a letter from E. G. Robinson, General Manager of the Dyestuffs Department of du Pont, to Mr. John L. Pratt, Vice-President, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 840.)

\* \* \* \* \*

Mr. Houchins: The Government next offers Government Trial Exhibit No. 841, which is a letter, as indicated by the dictator's initials, from John L. Pratt, Vice-President of General Motors to E. G. Robinson, Dyestuffs Department, E. I. du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 841.)

[fols. 1277-1280] Mr. Houchins: The Government next offers Government Trial Exhibit No. 842, which is a letter, dated June 12, 1930, from John L. Pratt, Vice-President of the General Motors Corporation, to Mr. E. G. Robinson, who is General Manager of the Dyestuffs Department of du Pont, copy of the letter going to Mr. Donaldson Brown.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 842.)

[fol. 1281] The government next offers Government trial Exhibit No. 843, which is a letter from E. G. Robinson, Gen-

eral Manager of the Dyestuffs Department at du Pont to John L. Pratt, Vice President of General Motors Corporation, and the subject-matter is refrigerants. It is dated June 24, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 843.)

[fols. 1282-1283] We next offer Government Trial Exhibit No. 844, which we do not propose to read, but simply draw the Court's attention that the letter, dated June 24, 1930, is from John L. Pratt, Vice President of General Motors to E. G. Biechler, General Manager of the Frigidaire Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 844.)

Mr. Honchins: We next offer Government Trial Exhibit No. 845, which is a progress report on fluorides, signed by J. W. Morrison of the Patent Section of the General Technical Committee, and dated June 26th, 1930, re: Progress Report on Fluorides.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 845.)

[fol. 1284] We next offer Government Trial Exhibit No. 846, which is a letter or memorandum from H. M. Williams, Manager of the Research and Future Demands Division, dated June 28th, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 846.)

[fol. 1285] We next offer Government Trial Exhibit No. 847, which is a letter from E. G. Biechler, President and General Manager of the Frigidaire Corporation to John L. Pratt, Vice President of General Motors Corporation, and dated July 25, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 847.)



[fol. 1286] The Government next offers Government Trial Exhibit No. 849, which is a memorandum on the letterhead of General Motors Corporation to Mr. John L. Pratt.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 849.)

[fols. 1287-1288] Mr. Houchins: This is dated August 12, 1930. It advises of action taken by the Executive Committee of General Motors Corporation on August 8, 1930.

(Said Government's Exhibit No. 849 was thereupon read to the Court by Mr. Houchins.)

Mr. Harsha: The Government now wishes to offer, your Honor, Government Exhibit No. 850, which is an agreement between the General Motors Corporation and the du Pont Company dated August 27, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 850.)

[fols. 1289-1290] Next I should like to offer, your Honor, an exhibit which is a little out of line, No. 899 in connection with this agreement I have just introduced.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 899.)

[fol. 1291] We now offer Exhibit No. 851 which I do not propose to read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 851.)

Mr. Harsha: I next offer a letter, Government's Exhibit No. 852, which is dated October 10, 1931, to Mr. W. F. Harrington, Vice President, du Pont, written by Mr. J. L. Pratt, Vice President, General Motors.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 852.)

(Said Government's Exhibit No. 852 was thereupon read to the Court by Mr. Harsha.)

Mr. Hoyt: We next offer Exhibit No. 853, which is a letter from W. W. Rhodes, to Mr. E. G. Robinson, dated September 8, 1938. Subject Freon-114 Situation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 853.)

(Said Government's Exhibit No. 853 was thereupon read to the Court by Mr. Hoyt.)

Mr. Ford: I next offer Exhibit No. 854 on the letterhead of Kinetic Chemicals, Inc., addressed to E. G. Robinson, President, from W. W. Rhodes, dated September 12th, 1938. [fols. 1292-1293] The subject is "Conference with Dr. A. J. Snow of Sears-Roebuck on September 9, 1938, at du Pont Offices in Empire State Building in New York City."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 854.)

(Said Government's Exhibit No. 854 was thereupon read to the Court by Mr. Ford.)

We next offer Government's Exhibit No. 855, addressed to Mr. E. G. Robinson, President, Kinetic Chemicals, Inc., with copy to Mr. Biechler, from Mr. E. R. Breech. This is dated September 21, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 855.)

Mr. Hoyt: We do not propose to read this exhibit.

We next offer Government's Exhibit No. 856 from E. G. Robinson, President, Kinetic Chemicals to E. G. Biechler, President, Frigidaire Corporation, dated September 15, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 856.)

[fol. 1294] We next offer Government's Exhibit No. 857, a letter from Mr. E. G. Robinson, President, Kinetic Chemicals to Mr. E. R. Breech, General Motors Corporation.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 857.)

Mr. Hoyt: This letter is dated September 28, 1938.

(Said Government's Exhibit No. 857 was thereupon read to the Court by Mr. Hoyt.)

We next offer Government's Exhibit No. 858, a letter from W. W. Rhodes, sales director, to Mr. A. J. Snow, Sears Roebuck & Company, with a copy to Mr. Robinson, President, Kinetic Chemicals.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 858.)

Mr. Hoyt: This letter is dated October 14, 1938, and reads:

(Said Government's Exhibit No. 858 was thereupon read to the Court by Mr. Hoyt.)

Mr. Hoyt: I next offer Exhibit No. 859, on the letterhead of the E. I. du Pont de Nemours & Company from Mr. Lamotte du Pont to Mr. Alfred P. Sloan, dated October 10, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 859.)

[fol. 1295] Mr. Hoyt: I do not propose to read this letter.

I next offer Government's Exhibit No. 860, from Alfred P. Sloan to Lamotte du Pont, dated October 14, 1939, "re: Kinetic Chemicals Company—General Policy with regard to F-114."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 860.)

Mr. Hoyt: I do not propose to read that exhibit.

I next offer Exhibit No. 861, on the letterhead of the Frigidaire Division, General Motors Corporation, signed by E. G. Biechler, General Manager, addressed to Alfred P. Sloan, Jr., Chairman of the Board of Directors, General Motors Corporation, dated October 17, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 861.)

Mr. Hoyt: I do not propose to read from that exhibit.

I next offer Government's Exhibit No. 862, from E. G. Robinson, President, Kinetic Chemicals, Inc., to Mr. E. R. Breech, dated October 19, 1938.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 862.)

[fol. 1296] I next offer Government's Exhibit No. 863, which is from John Thomas Smith, General Counsel to Mr. Ernest R. Breech, Vice President, dated May 8, 1939, "Re: Frigidaire's use of 'F-114.'"

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 863.)

(Said Government's Exhibit No. 863 was thereupon read to the Court by Mr. Hoyt.)

Mr. Ford: I next offer Exhibit No. 864 on the letterhead [fol. 1297] of Kinetic Chemicals, signed by E. G. Robinson and addressed to E. R. Breech, Vice President, General Motors, dated June 13th, 1939.

I will not read from this exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 864.)

Mr. Ford: I next offer Exhibit No. 865 from E. R. Breech, Vice President, General Motors, to E. G. Robinson, Kinetic Chemicals, Inc., dated June 19th, 1939.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 865.)

(Said Government's Exhibit No. 865 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next offer Exhibit No. 866 from E. G. Robinson, President of Kinetic Chemicals, Inc., to E. R. Breech, Vice President, General Motors Corporation, with a copy to Mr. Biechler, dated June 29th, 1939.

I will not read the exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 866.)

Mr. Ford: I next offer Government's Exhibit No. 867 from E. R. Breech, Vice President, General Motors Corporation to Mr. John Thomas Smith, General Motors Corporation, dated September 21st, 1939.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 867.)

[fol. 1298] (Said Government's Exhibit No. 867 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next offer Government's Exhibit No. 868 from W. W. Rhodes, Sales Director of Kinetic Chemicals, Inc. to E. G. Biechler, President of Frigidaire Division, dated April 3rd, 1942.

I will not read from this exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 868.)

Mr. Ford: I next offer Exhibit No. 869 from E. G. Robinson, President of Kinetic Chemicals to E. F. Johnson, Vice President, General Motors, and Mr. E. G. Biechler, General Manager, of the Frigidaire Division, dated March 8th, 1943, and bearing the subject: "F-114 For Large Scale Refrigeration."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 869.)

Mr. Ford: I will not read further from that exhibit.

I next offer Exhibit No. 870 from E. G. Biechler to E. G. Robinson, President, Kinetic Chemicals, Inc. The only date on this exhibit is March. There is no year. I will not read this exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 870.)

Mr. Ford: I next offer Exhibit No. 871 from E. G. Biechler to E. G. Robinson, bearing the date, March 24th, 1948.

[fol. 1299] (Said document, so offered and received in evidence, was marked Government's Exhibit No. 871.)

Mr. Ford: I will not read that exhibit.

I next offer Government's Exhibit No. 872, a letter from E. G. Robinson, President, Kinetic Chemicals, Inc. to E. G. Biechler, General Manager, Frigidaire Division, bearing date of April 8th, 1943, without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 872.)



Mr. Ford: I next offer Exhibit No. 873, addressed to Mr. C. D. Porph, President of Kinetic Chemicals, and from the Divisional Comptroller of Frigidaire Division, dated February 21st, 1944.

I will not read that exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 873.)

Mr. Ford: I next offer Exhibit No. 874 from C. D. Porph, President of Kinetic Chemicals, to E. F. Johnson, Vice President, General Motors Corporation, dated March 10th, 1944.

I will not read from that exhibit.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 874.)

[fols. 1300-1311] Mr. Ford: I next offer Exhibit No. 875 from a vice president, signature illegible, of General Motors Corporation, addressed to Kinetic Chemicals, Inc., dated February 24th, 1944, without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 875.)

Mr. Ford: I next offer Exhibit No. 876 from W. W. Rhodes, Sales Director of Kinetic Chemicals, Inc. to C. D. Porph, President, on March 4th, 1944. With the subject "Right to Sell 'Freon-114'."

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 876.)

(Said Government's Exhibit No. 876 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next offer Exhibit No. 878 to E. G. Robinson from C. D. Porph, dated March 6th, 1944.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 878.)

[fol. 1312] Mr. Ford: We next offer Government's Exhibit No. 879, a letter from J. Ralph Fehr, Patent Department of the Frigidaire Division, to Mr. E. F. Johnson, General Motors Corporation, dated April 20th, 1944.

We do not propose to read it. It is on the same subject-matter, sales of Freon.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 879.)

Mr. Ford: We next offer Government's Exhibit No. 880, an agreement dated May 18th, 1944, between General Motors and Kinetic Chemicals, Inc. It may be described as a cancellation agreement cancelling the license agreement of September 18th, 1939.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 880.)

Mr. Ford: We next offer Government's Exhibit No. 881, a letter from W. F. Harrington to Mr. E. F. Johnson, General Motors, dated June 22nd, 1944, and I wish to read the letter.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 881.)

\* \* \* \* \*

I next offer Government's Exhibit No. 882, a letter from Donaldson Brown, Vice Chairman, to the Policy Committee of General Motors, dated November 9th, 1944, which transmits a report prepared by Messrs. E. F. Johnson and E. R. Godfrey, covering operations of Kinetic Chemicals, Inc., from 1930 through 1943.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 882.)

[fol. 1314] Mr. Ford: I next offer Exhibit No. 883, which is the report referred to 882; and I wish to read one paragraph on page 10.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 883.)

\* \* \* \* \*

I next offer Exhibit No. 884, a letter from E. G. Robinson, General Manager, to E. K. Gladding, Director of Development Department, dated April 23, 1945.

\* \* \* \* \*

[fol. 1315] Mr. Ford: I next offer Exhibit No. 885, a document entitled "Advice of Action." It is from the Secretary of the Executive Committee of the du Pont Company, and it is dated May 2nd, 1945. I do not propose to read it. It also bears on the purchase by du Pont of General Motors' interest in Kinetic.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 885.)

Mr. Ford: I next offer Exhibit No. 886, a report from the Development Department to the Executive Committee, du Pont Company, and I wish to reach certain portions.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 886.)

\* \* \* \* \*

[fol. 1316] I next offer Exhibit No. 887 which I do not propose to read. It is a statement of sales and profits of Kinetic Chemicals, Inc., from 1930 to 1942.

Mr. Horsky: Your Honor, we have had an opportunity to check these figures, and they are all correct with the exception of the last figure in the middle column which now reads \$1,326,071.91. It should be, Mr. Ford, \$1,303,967.81.

I will show Mr. Ford the basis upon which I reached that, and see if we can agree to correct it.

Mr. Ford: We accept it, and thank you.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 887.)

[fol. 1317] Mr. Horsky: Before we reach another topic, Mr. Ford, may I ask you to stipulate with me that on June 26th, 1945, du Pont and General Motors agreed to eliminate that part of Article Seven of the agreement setting up Kinetic as follows:

"It being further agreed that future chemical developments, (other than those relating to said products) originating in the laboratories of General or its subsidiaries, shall be offered by General to the New Company on such terms as may be mutually agreed upon, and if after six months the New Company shall elect not to exploit such new chemical de-

velopments, then General shall be free to dispose of the same elsewhere."

Will you agree that those words were eliminated by agreement on June 26th, 1945?

Mr. Ford: We will so stipulate.

Mr. Horsky: And will you also agree, sir, that as of January 1st, 1950, du Pont did acquire Kinetic Chemicals, the 49 per cent interest of General Motors in Kinetic?

Mr. Ford: If you say that is the date, I will stipulate to it.

Mr. Horsky: It is the date.

In connection with that acquisition, will you agree that the Department of Justice wrote this letter, which I will read with your permission.

Mr. Ford: Yes.

Mr. Horsky: It is addressed to E. I. du Pont de Nemours [fol. 1518] and Company, Wilmington, Delaware, and is from Herbert A. Bergson, Assistant Attorney General on the letterhead of the Federal Bureau of Investigation:

"Dear Sirs:

"I refer to letters from Mr. Horsky of October 13 and November 8, 1949, in which he advised me that an agreement has been reached whereby the du Pont Company is prepared to purchase all of the stock now held by General Motors Corporation in Kinetic Chemicals, Inc., and transmitted to me the minutes of the du Pont Executive Committee setting forth the details of the proposed transaction.

"This is to advise you that the Department does not object to the consummation of the agreement referred to. In the event that du Pont thus acquires the stock now held by General Motors, the Department will waive that part of its prayer for relief relating to Kinetic (Paragraph 17, page 69 of the Complaint) in *United States v. E. I. du Pont*—"

This pending present action which is described by letter and number.

—"It should be clearly understood, however, that the Department, if it deems it desirable and advisable to do so, is free to introduce evidence at the trial of

the above action relative to history and background and all other aspects of joint operation and control by du Pont and General Motors of Kinetic."

Thank you.

[fol. 1319] Mr. Ford: May it please the Court, we are now going to section in Volume 5 bearing on synthetic rubber.

I wish to offer Exhibit No. 888, which is a letter from Lamot du Pont to John J. Raskob, dated January 18, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 888.)

Mr. Ford: I should like to read this letter.

(Said Government's Exhibit No. 888 was thereupon read to the Court by Mr. Ford.)

Mr. Ford: I next offer Government's Exhibit No. 889, letter from J. J. Raskob to Lamot du Pont, dated January 19, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 889.)

\* \* \* \* \*

I next offer Exhibit No. 890, letter from Alfred P. Sloan to Lamot du Pont, dated January 21, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 890.)

\* \* \* \* \*

[fol. 1320] I next offer Government's Exhibit No. 891, letter from Lamot du Pont to Alfred P. Sloan, dated January 25, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 891.)

\* \* \* \* \*

[fol. 1321] Mr. Ford: We next offer Exhibit No. 892, letter from Alfred P. Sloan to Lamot du Pont, dated February 3, 1927.



(Said document, so offered and received in evidence, was marked Government's Exhibit No. 892.)

[fol. 1322] I next offer Government's Exhibit No. 893, letter from Alfred P. Sloan to J. Brooks Jackson, General Motors Corporation, dated February 3, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 893.)

I next offer Government's Exhibit No. 894, a letter from Lamot du Pont to Alfred Sloan, dated February 21, 1927.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 894.)

[fol. 1323] Your Honor, that brings us to the section in Volume 5 bearing on motor fuel accelerators.

I wish to offer Government's Exhibit No. 895, memorandum from Fin Sparre, Director, to the Foreign Relations Committee, du Pont Company, with a copy to Lamot du Pont and W. S. Carpenter.

It is dated—can you give me the date on that?

Mr. Cox: July 13, 1931.

Mr. Ford: Yes, thank you. July 13, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 895.)

Mr. Ford: I should like to read this.

(Said Government's Exhibit No. 895 was thereupon read to the Court by Mr. Ford.)

Mr. Hernacki: I now offer Government's Exhibit No. 896, consisting of a copy of a letter from J. L. Pratt, Vice President General Motors, to Mr. David W. Jayne, Development Department du Pont Company, dated July 3, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 896.)

(Said Government's Exhibit No. 896 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 897, [fol. 1324] dated July 15, 1931, consisting of a memorandum from J. K. Jenney, Secretary of Foreign Relations Committee, du Pont Company, to Dr. Fin Sparre, Director Development Department. I do not propose to read the document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 897.)

Mr. Hernacki: I now offer Government's Exhibit No. 898, consisting of a letter from Mr. Lamot du Pont to Mr. John Pratt, Vice President, General Motors, dated July 16, 1931.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 898.)

(Said Government's Exhibit No. 898 was thereupon read to the Court by Mr. Hernacki.)

Mr. Ford: I should like at this point to invite the Court's attention to Exhibit No. 899 which was offered by Mr. Harsha this morning.

Mr. Hernacki: I now offer Exhibit No. 900, consisting of a letter from Mr. Lamot du Pont to Mr. John L. Pratt, Vice President, General Motors Corporation, dated July 21, 1931, copy to Mr. E. G. Robinson.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 900.)

(Said Government's Exhibit No. 900 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 901 [fols. 1325-1432] from Mr. Lamot du Pont to Mr. E. G. Robinson, dated July 21, 1931. I shall read this; it is very short.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 901.)

(Said Government's Exhibit No. 901 was thereupon read to the Court by Mr. Hernacki.)

Mr. Hernacki: I now offer Government's Exhibit No. 902. It is a rather lengthy document from D. W. Jayne, Development Department, to Mr. F. Sparre, Director. It is dated August 26, 1931, copy to C. L. Burdick.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 902.)

[fols. 1433-1458] I next offer Exhibit No. 1050 from Lam-mot du Pont Copeland to Mr. Lam-mot du Pont, and dated March 11th, 1946.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1050.)

(Said Government's Exhibit No. 1050 was thereupon read to the Court by Mr. Hoyt.)

[fols. 1459-1536] I next offer Government's Exhibit No. 1085, which is a letter to Mr. F. B. Davis from Lam-mot du Pont?

Mr. Harlan: That is right.

Mr. Eisen: This is dated January 31, 1930.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1085.)

[fols. 1537-1571] I next offer Government's Exhibit No. 1271, which is an answer to our Interrogatory No. 5 of December 7, 1951.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1271.)

[fols. 1572-1573] Miss Hunt: I offer Government's Exhibit No. 3, a chart showing members of the du Pont family as described in paragraph 7 of the amended complaint.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 3.)

[fol. 1574] Miss Hunt: I now offer Government's Exhibit No. 1277, a tabulation showing the amounts of stock in Delaware, Christiana, U. S. Rubber, and Wilmington Trust Com-[fol. 1575] pany, held by the individual members of the du Pont Family.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1277.)

Miss Hunt: Government's Exhibit No. 1209; Interrogatories Nos. 3 and 4, propounded by Plaintiff to Pierre S. du Pont, Irene du Pont, and Lamot du Pont.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1209.)

[fol. 1576] Miss Hunt: I now offer Government's Exhibit No. 1210 together with Exhibit C, which is offered as Exhibit 1210-A, and Exhibit D, which is offered as Government's Exhibit No. 1213.

(Said documents, so offered and received in evidence, were marked Government's Exhibits Nos. 1210, 1210-A and 1213.)

These exhibits together constitute the answers of Pierre du Pont to Plaintiff interrogatories 3 and 4.

The answer of Pierre du Pont to interrogatory No. 3 has been modified by an asterisk to conform to the description of members of the du Pont family as now defined in Paragraph 7 of the amended complaint.

These answers will not be read.

I now offer Exhibit No. 1211 together with Exhibit C, which is offered as Exhibit 1211-A and Exhibit D, which is offered as Government's Exhibit No. 1214, which together contain the answers of Lamot du Pont to Plaintiff's interrogatories 3 and 4.

Again the answer of Lamot du Pont to Plaintiff's [fol. 1577] interrogatory 3 has been modified by an asterisk to conform to the description of members of the du Pont family as now defined in paragraph 7 of the amended complaint.

(Said documents, so offered and received in evidence, were marked Government's Exhibits Nos. 1211, 1211-A and 1214.)

I now offer Government's Exhibit No. 1212, together with Exhibit C which is offered as Government's Exhibit 1212-A, and Exhibit D, which is offered as Government's Exhibit No. 1215, constituting together the answers of Ireneé du Pont to Plaintiff's interrogatories 3 and 4.

(Said documents, so offered and received in evidence, were marked Government's Exhibits Nos. 1212, 1212-A and 1215.)

Miss Hunt: The answer of Ireneé du Pont to Plaintiff's interrogatory No. 3 has been modified by means of asterisks to conform to the description of members of the du Pont family as now defined in paragraph 7 of the amended complaint.

I now offer Government's Exhibit No. 27, which is a [fol. 1578] letter from Pierre du Pont, Vice President, addressed to the Board of Directors of the E. I. du Pont de Nemours Powder Company, dated September 11, 1914.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 27.)

[fols. 1579-1580] I now offer Government's Exhibit No. 43, Minutes of the organizational meeting of the du Pont Securities Company, which is now known as the Christiana Securities Company, which was held on March 1, 1915.

This is offered without reading.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 43.)

Miss Hunt: I next offer Government's Exhibit No. 41, a letter to the du Pont Securities Company now known as the Christiana Securities Company dated March 2, 1915, bearing the signatures of Pierre du Pont, Ireneé du Pont, Lamont du Pont, and others.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 41.)

[fols. 1581-1593] I now offer Government's Exhibit No. 45, Minutes of Board of du Pont Securities Company, which



is now the Christiana Securities Company, held on March 19, 1915.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 45.)

[fols. 1594-1597] I now offer Government's Exhibit No. 1240, which is a list showing the persons designated by the management of Christiana, du Pont, and General Motors to receive proxies of stockholders and to vote the stock at stockholders' meetings of those three companies for certain of the years from 1919 to 1949.

This exhibit will not be read.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1240.)

[fols. 1598-1636] Miss Hunt: I now offer Government's Exhibit No. 1217, which is Plaintiff's Interrogatory No. 4 to Delaware, together with Government's Exhibit No. 1217-A, which is also offered, and which is an excerpt from the answer of the defendant Delaware to plaintiff's interrogatory 4.

(Said documents, so offered and received in evidence, were marked Government's Exhibits Nos. 1217 and 1217-A.)

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[fols. 1637-1686] FRANCIS B. DAVIS, JR., called as a witness on behalf of the Government, having been first duly sworn on his oath, was examined and testified as follows:

Direct,

Q. Now, I show you a document which is Government's Exhibit—this has not yet been offered in evidence. I offer it now, if the Court please, Government's Exhibit No. 1245.

Mr. Chadwell: Would that be in Volume 8?

Mr. Harris: It would be in Volume 8, or it may have been withdrawn. I will show it to you.

Mr. Chadwell: I have it.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1245.)

[fol. 1687] Mr. Harsha: We have a few more documents, your Honor, to offer.

First is the document found in Volume 8, numbered 1294.

The Court: 1294, you say?

Mr. Harsha: 1294.

The Court: Proceed, please.

Mr. Harsha: I offer this document.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1294.)

Mr. Harsha: This is a compilation prepared by the Government showing the positions in various of the corporate defendants held by Pierre S. du Pont, Irene du Pont, and Lammot du Pont during the period stated.

You will note that on the first page there are listed positions held by the defendant Pierre S. du Pont, and in the [fol. 1688] right hand column are listed the names of the corporations in which he held offices. First, the du Pont Company; next, General Motors; and third, Christiana, with the various offices indicated, and opposite the office, the date of such tenure. And in the last column over to the right is the source from which we derive this information.

I do not propose to read the entire exhibit.

I am offering it, really, as a foundation for the next exhibit. You will note, however, on the second page are listed the corresponding positions held by the defendant here in the du Pont Company, General Motors, Christiana, and Delaware; and then on the third page the positions held by the late Lammot du Pont in the du Pont Company, General Motors, Christiana, and Delaware.

[fol. 1689] Mr. Harsha: I should like to offer Government's Exhibit No. 1309, your Honor, which is found in Volume 8. 1309 is a summary prepared by the Government showing the directorship and other official positions held by the individual defendants and certain other individuals in the various defendant corporations during the period covered by this complaint.

Mr. Harsha: Government next offers Exhibit No. 1204, which is found in Volume 8, and that is a tabulation of the relative sizes of the du Pont, General Motors and U. S. Rubber in their respective fields.

Do you find that, your Honor?

[fol. 1690] The Court: Yes, I have it.

Mr. Harsha: It is a tabulation, and we are offering this here really as a foundation for the next exhibit No. 1205, which is a chart depicting this information.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1204.)

Mr. Harsha: I do not wish to read it, and I will pass then to Exhibit No. 1205, which I offer.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1205.)

Mr. Hurd: If the Court please, I wish to object to Government's Exhibit No. 1204 and I shall also object to Exhibit No. 1205. These postdate the complaint in this case. 1205 is also objectionable on various other grounds as I think it is also true of 1204. I think they both relate to sales, and they contain combinations of various companies not involved in this action in any way.

In 1204 I notice there is Union Carbide & Carbon, and Ford and Chrysler, and 1205 is also related—

Mr. Harsha: Perhaps I should explain the purpose of these exhibits a little more thoroughly.

Mr. Cox: Do you want to hear what I have to say first?

Mr. Harsha: All right.

Mr. Cox: May it please the Court, I, on behalf of du Pont [fol. 1691] Company, should like to amplify in one respect the objection Mr. Hurd has made.

What I have to say relates particularly to the portion of Government's Trial Exhibit No. 1204, which appears under the heading "du Pont in the Chemical Field."

In addition to the grounds that Mr. Hurd has specified, I object to that much of the exhibit on the ground that it is compiled on what seems to me to be an erroneous statistical or economic assumption.

The Government is there essentially comparing unlike things. The figure of \$1,297,000,000 of sales for du Pont

includes everything that du Pont sells. That includes synthetic fibers, such as nylon, rayon, dacron, all of those synthetic fibers that are sold in large volume.

• It includes cellophane. It includes paint. It includes synthetic rubber. It includes such things as explosives and coated fabrics.

Now the sales figures for the other three companies, if I understand correctly what the Government has done, do not include commodities of the same range and kind that the du Pont Company sells because those companies are not engaged in the manufacturing and selling of commodities of that kind.

The Union Carbide Company, the Allied Chemical Company, and the American Cyanamid Company are chemical companies in a more limited sense. They make and sell chemicals. They do not, for example, make and sell paint. They do not make and sell the synthetic fibers.

There are paint companies, for example, which are larger [fol. 1692] than the du Pont Company, whose sales are larger than the du Pont Company, whose activities are not reflected at all in this exhibit.

For whatever purpose it may be offered, I therefore object to it, as I said at the beginning, on the ground that it seems to me to be compiled on an erroneous assumption or basis.

Mr. Harsha: In reply to the objections, your Honor, I should like to call the Court's attention, first, to the allegations found in the complaint.

Speaking first to the objections of the du Pont Company—I am speaking now of Paragraph 12 of the complaint, in which it is charged that the du Pont Company is the largest producer in the United States of explosives, powder and chemicals.

Then it goes on to list in the complaint, and most of this is admitted, the various types of products, the very wide range of products manufactured and sold by the du Pont Company.

It is in support of the allegation in the complaint that the du Pont Company is the largest in the chemical field that we have produced this chart, because, as you will notice, we have taken here the four largest chemical producers in the

United States—du Pont, followed by Union Carbide & Carbon, Allied Chemical, and American Cy-namid.

We are attempting to show here by the net sales in round figures of the relative size that the du Pont Company occupies in respect to all other chemical concerns in the industry.

Now it is true—I would certainly agree with Mr. Cox—[fol. 1693] that it is undoubtedly true that there are some products manufactured by the du Pont Company which are not manufactured by some of the other chemical concerns.

But that is true in any industry; and it is not, I submit, a valid objection, because we are attempting to show here merely in terms of relative position in the broad chemical field, which includes many, many things, the relative position of this defendant.

Now, in respect to the objections by General Motors, certainly we are not charging that Ford, Chrysler, and all other automobile manufacturers are in this case.

What we are charging is that the General Motors Corporation, as it is alleged in Paragraph 14 of the complaint, that it is the largest producer of passenger cars and trucks in the United States.

We have adduced here the total units of passenger cars and trucks produced by General Motors as contrasted with its other principal competitors in the automobile field.

Thus we have shown that General Motors leads in the automobile field, having produced 3,656,000 cars and trucks as contrasted to its next largest competitor, Ford, with 1,902,000.

There has been the further objection raised by Mr. Hurd—well, I must confess, Mr. Hurd, that your other point has slipped me.

Mr. Harris: Later than the filing.

Mr. Harsha: That is right. Thank you.

—That it is later than the time alleged in the complaint. [fol. 1694] It is true that this is for the year 1950, but we are submitting this in the sense that we think it is valuable to the Court to see, based on late data, what is the relative position of these defendants in their respective fields.

It is not necessary in that respect to take a period of time covered by the complaint since, obviously, the relative size is something with which the Court will be faced through-



out the entire period covered by this complaint and as of today, when it renders its decision.

I should also add that we would make the same arguments with respect to U. S. Rubber, which is the third one listed there, but I feel that the objections offered by counsel should not be sustained since what we are obviously trying to do here is to show the Court the relative size of these defendants in their respective industries.

Mr. Chadwell: If the Court please, in view of counsel's comment on U. S. Rubber, I want to say that I understood the objections raised by counsel for one defendant will be for the benefit of all defendants in the case under the pre-trial order.

The Court: That is right.

Mr. Chadwell: I don't want him to understand by my silence that I am not joining in the objections made by Mr. Hurd—

Mr. Harsha: We are amenable to that.

Mr. Chadwell:—on the point that this postdates the complaint, and therefore we think it is immaterial on that ground.

Mr. Hurd: If the Court please, I think both sides have [fol. 1695] been very careful not to go beyond the date of the complaint with reference to any of the documents or any of the testimony in this action, and I think this is a very poor time to start going beyond that.

I don't know where we will end if we are going to treat this as a supplemental complaint rather than an amended complaint.

If this has any materiality, I think an exhibit should be submitted for the year 1949 rather than the year 1950 in order not to depart from that basic proposition.

However, I also think it is entirely immaterial as to how many units may have been produced by General Motors Corporation in any particular year.

The Government has disclaimed that this is an attack on bigness. While I have some doubts as to their sincerity, they certainly have failed to point out any materiality to this case of an exhibit showing how many units General Motors has produced compared with any other automotive company in the United States, or elsewhere.

If they were interested in the financial size of the com-

pany, something of that sort, we might have a different problem. But the number of units that you may produce certainly would have no bearing on the issues of this case, even if it were for a proper year, which this is not.

The Court: The suit was filed in 1948, was it not?

Mr. Hurd: 1949.

Mr. Harsha: June of 1949.

The Court: Well, is there any particular reason why you [fol. 1696] didn't get the statement for the period prior to, or at the time of, filing of the complaint?

Mr. Harsha: Merely, that we were attempting to bring this data as close to date as we could at that time, your Honor.

If the objection is to be sustained, if there is to be an objection and it is to be sustained as to the date, the year 1950 is not a magic year, and if the year 1949 is considered to be a more appropriate year, even there, of course, you would have the problem that I suppose for six months of that year it would postdate the complaint, but we are merely attempting to use data which was fairly current, but I submit that whether we take the year 1949 or 1950, the relative positions of these defendants in their respective fields would not be materially altered.

The Court: Well, the purpose of the Government introducing this is to show volume of sales as to the four leading chemical companies, isn't that right?

Mr. Harsha: And size in their respective fields, your Honor.

The Court: And also as to the rubber companies, the four different rubber companies? That would be five, including United States Rubber. You are making no representations as to how this volume is arrived at?

In other words, what portions would be classified as chemicals, and various other products, sales from other products?

Mr. Harsha: No, I might say in respect to the objection on chemicals, your Honor, that you get here into the prob- [fol. 1697-1699] lem that I suppose has beset the census department for many, many years. They do take a census of manufacturers, and they do have a category known as the chemical field. Now, the chemical field true is a fairly loose sort of terminology, but it is one that is generally accepted,

and it does include a great many products including plastics and acids, and various other things, but it is certainly recognized by almost any expert in the field that the du Pont Company properly falls within the chemical industry, and for that reason we do not make a representation that each and every product manufactured by du Pont is also manufactured by Union Carbide or Allied or American Cyanamid, or vice versa, but that is a problem that you have in creating any broad classification that you will have a certain amount of overlapping.

The Court: It appears to the Court that because of the limited purpose for the introduction of the document that the objection should be overruled, and it should be allowed to remain in.

Mr. Harsha: I should also like to offer, your Honor, Exhibit No. 1205. That is really a chart depicting information on Exhibit No. 1204.

The Court: That objection to that one is also overruled, and it is received.

Mr. Harsha: Next I should like to offer, your Honor, Exhibit No. 1295 found in Volume 8, and this is a chart once again.

[fol. 1700] Mr. Harsha: Next, your Honor, the Government offers a document numbered 1301, which is found in Volume 8, and this is an abstract or excerpt from a grand jury subpoena dated August 20th, 1948, and addressed to General Motors Corporation, and this excerpt relates to Paragraph 3 of that subpoena in which the General Motors Corporation was requested to produce before the grand jury all statistical tables, charts, drafts, tabulations and summaries, together with reports, records and other documents which show the following information for each year as to the following companies.

[fol. 1701] I am offering this document, and also 1302 which is connected with this.

(Said documents, so offered and received in evidence, were marked Government's Exhibit Nos. 1301 and 1302.)

[fol. 1702] Mr. Houchins: If the Court please, we have just three or four other documents of a miscellaneous nature which we wish to introduce in evidence. The first document is 1304, in Volume 8.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1304.)

\* \* \* \* \*

[fol. 1703] The Government next offers Government Trial Exhibit No. 1305, which is interrogatory No. 1, propounded by the Government to General Motors Corporation on December 7, 1951.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1305.)

\* \* \* \* \*

[fol. 1704-1705] Mr. Houchins: In connection with that exhibit, the Government will offer two other exhibits. The first will be Government Trial Exhibit No. 1306.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1306.)

The Government next offers Exhibit No. 1307, which is the tabulation that was made by the Government.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1307.)

[fol. 1706-1708] The Government next offers Government's Trial Exhibit No. 1308, which is an excerpt from the annual report of the du Pont Corporation to its stockholders for the year 1938. It is on page 22 of that report.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 1308.)

[fol. 1709] Mr. Harsha: The Government next offers, your Honor, some excerpts from the deposition taken in this case by the defendants of Pierre S. du Pont.

Do you have a copy of the deposition, your Honor?

The Court: I do not.

Mr. Harsha: I think we can provide you with one.

We are only offering excerpts, your Honor, and the first

excerpt is the material beginning on page 169, at the bottom of the page.

This is during the direct examination of Mr. Pierre S. du Pont. He is being questioned by Mr. Harlan, and we intend to read from there over to page 180:

"Q. Now, still carrying on the question that I am exploring with you as to how du Pont and General Motors carried on its financial responsibilities for the General Motors affairs, what position did Mr. J. A. Haskell occupy in General Motors?

"A. He was a representative of du Pont, a liaison officer between the two companies.

"Q. What was his function in General Motors?

"A. He was a vice president, and he was a member of the Executive Committee and the Finance Committee.

"Q. Apart from the specific title that he held, what were [fol. 1710] the areas of his functions? What was he supposed to do?

"A. General knowledge of the actions of those committees and what followed those actions.

"Q. Did he function in any way as a contact between the Finance Committee and the operating people in General Motors?

"A. Yes, he was a member of those committees. I suppose that he did, but not by any appointment.

"Q. What I am trying to get at is this: When the Finance Committee was concerned with a particular phase of GM's operations in relation to the financial aspects of General Motors, how did the Finance Committee keep itself informed of the operational aspects of the problem?

"A. Through Mr. Durant and Mr. Haskell.

"Q. To what extent was the Finance Committee, which was concerned with financial management interested in the operations of General Motors?

"A. Nominally only in the amount of appropriations that must be made, and the arrangement of finances. But principally they were interested in the character of the investments to be made.

"Q. Did Haskell function in that area in keeping the finance committee abreast of operational problems so far as they impinged on financial matters?

"A. Yes, Haskell and Durant together.



"Q. Haskell was a vice president of General Motors, wasn't he?

"A. Yes.

"Q. And also a member of the Finance Committee?

"A. Yes.

"Q. And of the Executive Committee?

"A. That's right.

"Q. Until you became president of General Motors in 1920, was there any other so-called du Pont man on the General Motors Executive Committee other than Haskell?

"A. No, he was the only one.

[fol. 1711] "Q. Do you recall that in 1918 General Motors Corporation increased its capital?

"A. Yes, sir, it did.

"Q. I hand you a document dated February 12, 1918, being a letter from Raskob to John Thomas Smith, Esquire, and ask you if you can refresh your recollection as to the occasion in 1918 for this first increase of capital in General Motors?

"A. This is a statement by Mr. Raskob addressed to John Thomas Smith, Esquire, New York.

"Q. Yes.

"A. Suggesting that the financing of the General Motors should include Chevrolet Motors.

"Q. What I had in mind was whether you recall that the increase of capital effected in 1918 in General Motors was in contemplation of General Motors Corporation acquiring the assets of Chevrolet?

"A. That was one of the items.

"Q. That was one of the items?

"A. The principal item, I think.

"Mr. Harlan: Mark it, please, as 96."

Skippping the colloquy, and this was marked Defendants' Exhibit 96.

Your Honor, there will be a couple of exhibits referred to in here which were not introduced by the Government in its case.

This is the first. We do not intend to offer them at this time, but they are available for inspection by counsel or by the Court.

Mr. Harsha: (Continuing):

"Q. Do you recall that following that, the General Motors Corporation did in fact acquire the assets of Chevrolet for stock of General Motors?

"A. It did, yes, sir."

[fol. 1712] And then I skip over:

"By Mr. Harlan:

"Q. Do you recall that as a result of such purchase Chevrolet was left only with General Motors stock as its assets?

"A. That's right, yes.

"Q. Just for the record, can you refresh your recollection from Exhibit 97 for identification as to approximately how much General Motors stock Chevrolet held after the purchase by General Motors of its physical assets?"

Exhibit 97 is not a Government Trial Exhibit and has not been introduced into evidence.

Then I skip the colloquy.

"By Mr. Harlan:

"Will you see whether on page 2, following Mr. Hotchkiss' kind suggestion, the purchase by General Motors of Chevrolet assets excluded, in the sense that it left with Chevrolet, 450,000 shares of the common stock of General Motors Corporation which Chevrolet had theretofore held?"

"A. That's right, yes.

"Q. Then on the next page, page 3, that the stock which Chevrolet received from General Motors for the purchase of the other assets, involved an additional 252,000-odd shares of General Motors common, the total of those two being roughly 700,000 shares of General Motors stock that Chevrolet ended up with?

"A. That's right.

"Q. And then again for the record, this document says that the total of 700,000 shares represented approximately—or, I guess exactly—1-1/4 shares of General Motors stock for each share of Chevrolet stock outstanding?

"A. That's correct.

"Q. Ultimately what became of the Chevrolet Company?

"A. It was dissolved, and its stock distributed to its

stockholders—the General Motors stock distributed to its stockholders.

[fol. 1713] “Q. Did this matter of the purchase by General Motors of the assets of Chevrolet come before the Finance Committee of General Motors?

“A. It did, yes, sir.

“Q. And was it approved?

“A. It was approved.

“Q. (Continuing) And considered by the Finance Committee?

“A. Yes, sir.

“Q. As a matter of fact, do you happen to recall that Mr. Raskob himself was quite active with Durant in advocating the taking over by General Motors of the assets of Chevrolet?

“A. He was quite active.

“Q. Do you remember the United Motors Corporation?

“A. Yes.

“Q. Do you recall that that company was acquired by General Motors some time in 1918?

“A. It was, yes, sir.

“Q. Can you recall what the considerations were that led to that acquisition by General Motors?

“A. It was in order to gain control of a very important part of the motor car manufacture being accessory parts. It was necessary.

“Q. Why was that considered important from General Motors' standpoint?

“A. Because it could control the manufacture of the essential parts, and direct construction and design.”

“Q. Prior to that acquisition of United Motors at that time, General Motors itself manufactured its own accessory parts?

“A. I suppose some of them, but practically none.

“Q. And as to those that it did not manufacture, where did it get the accessories from?

“A. Purchased on the market.

“Q. From what company or companies, if you recall?

[fol. 1714] “A. I suppose to a large extent from companies that went into the United Motors Corporation.

“Q. After United Motors itself was formed, from the con-

stituent companies composing United Motors, then I suppose United Motors was the supplier?

"A. No, I think the individual companies in United Motors dealt directly with General Motors. I am not sure about that.

"Q. I see. All right. Now, did the acquisition of the United Motors Corporation come before the Finance Committee of General Motors?

"A. Yes, it did.

"Q. You were a member of it at that time?

"A. Yes, sir.

"Q. These other gentlemen from du Pont were also members?

"A. Yes.

"Q. Was the matter given consideration?

"A. It was.

"Q. Was the transaction approved by the Finance Committee?

"A. Unanimously, I believe."

Next Mr. Harlan offered two exhibits which have been offered by the Government, and they appear as Government's Trial Exhibits No. 132 and No. 137.

Continuing on page 176:

"Q. Mr. du Pont, looking at that report, which Mr. Lester will hand you, can you refresh your recollection that in 1918 in addition to the Chevrolet assets and in addition to the United Motors acquisition, General Motors also acquired a number of other enterprises?

"A. Yes, sir.

"Q. Those are listed, I believe, on pages 12 and 13 of the report that you have before you?

"A. That's right.

"Q. The only one I want to ask you anything about, because the document shows the names of the acquisitions, is the McLaughlin Carriage Company, Limited, and the [fol. 1715] McLaughlin Motor Car Company, Limited, acquisitions. Do you see that there?

"A. I do.

"Q. What were those acquisitions?

"A. The McLaughlin companies were the manufacturers of motor cars in Canada—motor cars only, I think.

"Q. What kind of cars did they make?

"A. Do you mean the name of them?"

"Q. Do you happen to remember?"

"A. I think it was sold under the McLaughlin name.

"Q. McLaughlin-Buick?"

"A. I think they used that name, but I am not sure they did before the acquisition by General Motors.

"Q. Do you recall whether the acquisition of those Canadian properties was made by General Motors for stock, or cash?"

"A. It was made by stock.

"Q. Did that transaction come before the Finance Committee of General Motors?"

"A. It did, yes, sir.

"Q. At a time when you were a member of it?"

"A. Yes, sir.

"Q. And these other gentlemen from du Pont were members?"

"A. That's right.

"Q. Was it given its consideration?"

"A. That's right.

"Q. Was it acted on only after approval by the Finance Committee?"

"A. That's right.

"Q. Now, we are down to the end of 1918, and I now hand you a document, being a memorandum from Mr. Raskob to the General Motors Finance Committee dated December 12, 1918, which I ask to have marked as Exhibit 100 [Government Trial Exhibit 134], and ask you if you can refresh your recollection from that, that at the end of 1918 Raskob recommended to the Finance Committee the provision of additional [fol. 1716] capital for General Motors, to finance a contemplated expansion program.

"A. He did, yes.

"Q. To the tune of what figure, if you can remember?"

"A. \$52,800,000.

"Q. Did that recommendation go forward and did the additional expansion and financing incident thereto take place?"

"A. That's right.

"Q. Will you please look at Exhibit 99 for identification [Government Trial Exhibit 137], which is the annual report of General Motors for the year ending December 31, 1918,



and state if you will for the record the total increase in the outstanding capital stock of General Motors which had taken place between the end of 1917 and the end of 1918?

"A. The total of debenture stock of \$30,756,000 and common stock, \$70,506,000.

"Q. That is for what year? Or is that the difference?

"A. That is the amount issued during the year 1918.

"Q. And were those increases in capital—

"A. I think that seventy million is wrong. The change is since the last annual report, December 31, seventy—that looks like eighty.

"Q. Were those increases in capitalization the subject of consideration by the General Motors Finance Committee?

"A. They all were, and they all were approved unanimously.

"Q. And not acted on until they had been approved by the Finance Committee? Not carried out?

"A. Not carried out until they were approved, yes, sir.

"Q. In this increase of capital that took place as you referred to during the year 1918, do you recall that there was a new stock issue gotten out for cash?

"A. There was a new stock issue.

[fol. 1717] "Q. Can you refresh your recollection as to the approximate amount of it?

"A. I think it was twenty-four million.

"Q. Who underwrote that issue?

"A. The du Pont Company.

"Q. What was the occasion for the issue?

"A. To provide more capital for the General Motors Corporation. That, I think was practically all for working capital. The acquisition of properties—the twenty-four million, I think, was entirely in working capital.

"Q. Now we are through 1918, and we will come to 1919 for a few minutes. Again I am interested in developing the General Motors expansion during the year 1919. First of all, do you recall that in that year General Motors acquired an interest in Fisher Body Corporation?

"A. Yes, it did.

"Q. What was Fisher Body?

"A. Fisher Body was a manufacturer of car bodies.

"Q. Do you remember the approximate size of the interest that G. M. acquired?

"A. Sixty per cent.

"Q. Did that transaction come before the General Motors Finance Committee?

"A. It did, and it was approved by them.

"Q. And approved by them?

"A. Yes.

"Q. What were the reasons for the acquisition of that sixty per cent interest by General Motors in Fisher Body?

"A. Practically the same as for the accessories. The body being an essential part of the motor car, it was thought that the whole car should be designed and manufactured by the same people.

"Q. Do you remember how that acquisition was made, whether for stock or cash, by General Motors?

"A. Well, largely notes given to the Fisher Body people. [fol. 1718] "Q. Do you recall in 1919 that in addition to that acquisition General Motors embarked on a construction program of its own?

"A. Yes, it did.

"Q. Did that construction program and the financing of it incident thereto come before the Finance Committee of General Motors?

"A. It did.

"Q. And was considered?

"A. And considered and approved.

"Q. Considered and approved, and not implemented until after it had been approved by the Finance Committee?

"A. That's right.

"Q. At that time were you and the other men whom you have named as coming from du Pont still members of the G. M. Finance Committee?

"A. We were."

That is all I intend to offer in that section.

Turning then to 182, and Mr. Harlan is referring there to an exhibit which was marked Defendants' Exhibit 104, which the Government has introduced as its Trial Exhibit No. 139, which is now in evidence, and reading from page 182:

"Q. Can you refresh your recollection, Mr. du Pont, from page 13 of that report, and tell me whether in 1919 there were any acquisitions involving new fields by the General Motors Corporation?

"A. Yes, they were.

"Q. What were they?

"A. The farm and home lighting systems, the iceless refrigerator, which became Frigidaire, General Motors Export Company, General Motors Acceptance Corporation, and the housing facilities for employees.

"Q. Did those matters come before the Finance Committee of General Motors?

"A. They did, yes, sir.

[fol. 1719] "Q. And were they considered and approved before they were implemented?

"A. They were."

That is all I propose to read at that point.

I turn now to page 566, your Honor.

Mr. Houchins: Reading from page 566, the cross examination by Mr. Hotchkiss starting at the bottom of the page:

"Q. Mr. du Pont, I ask you now to direct your attention to what has been marked as Defendants' Exhibit 85, which is a memorandum from the Treasurer of the du Pont Company, that is, Mr. Raskob, to the Finance Committee, regarding the General Motors-Chevrolet Motor stock investment."

That exhibit referred to at that point is Government's Trial Exhibit No. 124, which is found in Volume 1.

"Q. The memorandum is dated December 19, 1917. It is a rather lengthy communication. Had you known prior to the time this memorandum was submitted to the Finance Committee of the du Pont Company that Mr. Raskob was going to make such a recommendation?

"A. I believe I did, yes.

"Q. And for how long a time prior to that? Have you any idea?

"A. I couldn't say—not very long.

"Q. You had discussed with Mr. Raskob, had you not, the general tenor of this memorandum?

"A. I believe so. My recollection is that he wrote a memorandum of this nature and submitted it to me as a proposal to the Finance Committee. And this final draft was made after that and substantially in the same form as the original.

"Q. On that original draft, Mr. du Pont, did you suggest certain changes?

"A. I don't remember any.

[fol. 1720] "Q. But you did indicate to Mr. Raskob your approval of the memorandum?

"A. Yes; that is right.

"Q. And he thereafter put it in the final draft, incorporating in that draft the ideas of both you and himself on the matter, and this memorandum to the Finance Committee is the end result?

"A. That is right.

"Q. Had Mr. Irenee du Pont participated in these conversations with Mr. Raskob and yourself regarding the early draft of this memorandum?

"A. I think not.

"Q. Had Mr. Lamot du Pont participated with you and Mr. Raskob regarding this early draft?

"A. I believe not.

"Q. Were those two gentlemen informed by either you or Mr. Raskob regarding the general nature of the proposal or that such a proposal was contemplated?

"A. I believe not. I am certain.

"Q. You have no present recollection—

"A. I don't remember having discussed it with them but I may have.

"Q. Do you recall having discussed the matter with other members of the Finance Committee of the Board of the du Pont Company?

"A. No.

"Q. So that the conversations were limited to those between yourself and Mr. Raskob?

"A. I believe so, yes.

"Q. It was, I take it, the memorandum in this form which was submitted to the Finance Committee?

"A. It was, yes.

"Q. And then subsequently submitted to a joint meeting of the Finance Committee and the Executive Committee, is that correct?

"A. Yes.

"Q. Now, I ask you to turn to page 9, the top of the page.

"A. I have it here.

[fol. 1721] "Q. Now, opposite page 9, at the bottom of the page, there is this paragraph, and I read: 'The total outstanding voting stock of the enlarged General Motors Company would be approximately 1,080,000 shares, 50% or con-

trol of which would require ownership of 540,000 shares. With the above purchases, control could be summarized as follows:—

“First, Mr. du Pont, the reference to the enlarged General Motors Company refers, does it not, to the then pending plan to merge General Motors and Chevrolet?

“A. I think it more particularly refers to the enlargement of the General Motors Company itself. The former company sold out to the new company at that time. The former New Jersey corporation sold out to the General Motors Corporation of Delaware, which was the existing corporation at that time. I think that refers to that more than to Chevrolet.”

“Q. Was there in effect at that time a plan or proposal that this new General Motors Company would take over at least the assets of the Chevrolet Company?

“A. I believe so, yes..

“Q. So that it would thereby extend the coverage of types of cars which would be manufactured under the banner of the General Motors Corporation, the new company?

“A. That is right.

“Q. Now, over to the right, at the top of the page, the page which has the figure ‘9’ at the top, there is the breakdown of share ownership to which the words on the preceding page ‘control could be summarized as follows’ apparently apply. At the top of the page it shows Durant as having 280,000 shares and du Pont 223,000. I take it that the du Pont holding of 223,000 applies to the holdings which the du Pont [fol. 1722] Company was about to make, is that correct?

“A. I would suppose so. I don’t know whether it is given in this report or not. This report proposes to purchase General Motors and Chevrolet stock. So the ‘du Pont’ would refer to that.

“Q. And, of course, the ‘Durant’ refers to the personal holdings of Mr. Durant, Durant 280,000 shares?

“A. Well, it might refer to others among his associates also.

“Q. In other words, it is referring in terms of the possibility that if there were a stockholders’ vote and there were certain conflicting interests then Mr. Durant, both from the standpoint of his own personal holdings and those of the persons affiliated with him could depend on 280,000 shares voting with him?



"A. That is right.

"Q. Dropping down to the next breakdown, there is the statement, 'Additional stock to be bought by du Pont to make our investment \$25,000,000.00 say 50,000 shares.' I take it that at that time you contemplated—when I say you. I am speaking of the du Pont Company, or possibly more precisely that Mr. Raskob is recommending that the du Pont Company—in addition to buying the 223,000 shares, buy an additional 50,000 shares? Is that correct?

"A. I believe that is right, yes.

"Q. So that the grand total at that point of the Durant and du Pont Company holdings, assuming these additional acquisitions were made by the du Pont Company, would total 553,000 shares out of a grand total of slightly over 1,000,000 shares outstanding, and that would be a clear majority, would it not, of the shares?

"A. It would.

"Q. Now the next category is, 'Stock held by Wilmington people and du Pont friends approximately 100,000,' Now, at this point, Mr. du Pont, I ask you to turn over toward the [fol. 1723] back of the report. There is a two-page listing of share holdings. Up at the top of that listing appear the words 'Du Pont Control.' May I ask, Mr. du Pont, what you and Mr. Raskob meant by that particular phraseology appearing at the top of that listing of stockholders in General Motors?

"A. This list was made by Raskob, and I understood it, and I think he understood it to mean these people would vote with the du Pont Company in General Motors.

"Q. In case there should be a conflict between different stock holding groups, then this group would side with you?

"A. Yes.

"Q. Now how would you know that, Mr. du Pont, or how would you reach such an assumption as to these persons?

"A. That was Mr. Raskob's opinion. It was not mine, am sure, because a number of the people listed here I do not know. This is his opinion of what those stockholders would do and he evidently knew them all.

"Q. I would like to have you look at certain names on that list, and in order to simplify the examination I am going to ask you to look only at the names of those persons who hold

500 or more shares of stock. Did you know W. Sexton, who is down for 600 shares?

"A. No, I did not.

"Q. Did you know John Aspinwall?

"A. I think he was a du Pont Company employee. I knew him slightly.

"Q. As a du Pont Company employee you felt that in the event of a clash in interests in the General Motors Company that you could rely upon his voting his stock with you?

"A. I didn't know him well enough to assume that. But I suppose Raskob did.

[fol. 1724] "Q. Mr. Barksdale is down for 2250 shares.

"A. He was a du Pont officer.

"Q. Then Mr. F. L. Belin—you have already indicated your relationship with him?

"A. Yes.

"Q. We drop down to Mr. C. Copeland, who is down there for 550 shares.

"A. He is my brother-in-law.

"Q. Then we drop down to Mr. William M. Dole, who is down for 6,218 shares.

"A. He was Coleman du Pont's secretary.

"Q. Then we drop down to Ethel H. du Pont.

"A. My sister-in-law.

"Q. Then we drop down to E. E. du Pont.

"A. He was at that time, I believe, a director of the du Pont Company, and one of the du Pont family.

"Q. And next, H. A. du Pont, 1,610 shares.

"A. He was one of the former stockholders in the corporation of 1899.

"Q. H. F. du Pont, down for 650 shares.

"A. He was a director of the du Pont Company, and my cousin.

"Q. And Irene du Pont, of course, is your brother. And Lamot du Pont is down for 1500 shares, and is your brother. P. S. du Pont is yourself, down for 20,000 shares. T. C. du Pont, is your old partner—

"A. Yes.

"Q. (Continuing) down for 15,000 shares. Then we are down to the Glenden Land Company. Do you know what that was?

"A. That was a corporation formed by my brother-in-law and his wife.

"Q. And then over to the next page, we have Mr. C. B. Holladay.

"A. He was in the Treasurer's Department of the du Pont Company.

"Q. And then we have Mr. C. C. Kurtz, down for 500 shares.

"A. He was a well-known citizen of Wilmington.

[fol. 1725] "Q. Of Wilmington?

"A. Yes.

"Q. You knew him personally?

"A. Yes, quite well.

"Q. And next is F. D. Lackey, who is down for 3,181 shares.

"A. He was a broker in Wilmington.

"Q. And was he with any particular firm or was he—

"A. No, that was the name of the firm.

"Q. That was the name of the firm?

"A. Yes. But this is his personal holding, I suppose.

"Q. Yes.

"A. It is not named as a firm holding.

"Q. And I take it he was well known personally by you? You knew him?

"A. I knew him, but not well.

"Q. Next is J. B. Niles, down for 600 shares.

"A. He was an employee of the du Pont Company.

"Q. Next is Helena S. Raskob.

"A. John Raskob's wife.

"Q. And John Raskob. Of course we already know who he is. Then the Wilmington Trust Company as Trustee and I think the record already shows that various members of the du Pont Company hold stock interests in the Wilmington Trust Company, is that correct?

"A. Yes.

"Q. Did you personally, Mr. du Pont, hold stock in the Wilmington Trust Company?

"A. I had a small amount.

"Q. And your brothers Irenee and Lammot, did they have certain holdings there?

"A. I don't know whether they had or not. There is one

more at the end, F. G. Tallman, a thousand shares. He is a du Pont employee, and he was a Director at that time.

"Q. How did Mr. T. C. du Pont become interested in the General Motors stock? Did you or Mr. Raskob discuss [fol. 1726] with him the advisability of purchasing this stock?

"A. For the du Pont Company?

"Q. No, of the General Motors Company.

"A. No. For the du Pont Company? The stock of General Motors Company?

"Q. I am afraid I didn't make myself clear, Mr. du Pont. Your cousin, T. C. du Pont, is down as holding 15,000 shares. He purchased those shares of stock on his own account, did he? For himself?

"A. As far as I know.

"Q. In other words, he was not purchasing as the nominee or the agent of du Pont Company?

"A. No.

"Q. How did he happen to get into the matter of buying the General Motors stock? Did you recommend it to him?

"A. No. It was his own selection.

"Q. Did Mr. Raskob, do you know, have any conversations with Mr. Coleman du Pont on the matter of purchasing this General Motors stock?

"A. No. I don't know.

"Q. Do you recall whether prior to the date of December 19, 1917, you had had any conversations with any of the persons whose names we have just been discussing, recommending to them or suggesting to them or advising them to buy either General Motors or Chevrolet stock?

"A. I couldn't say that I did or did not. I don't remember.

"Q. It was, however, rather well known among the members of this group that we have just been discussing that you and John Raskob were excessively interested financially in the General Motors and Chevrolet companies?

"A. I doubt if any of them knew the extent of our holdings—whether they were large or small.

"Q. They knew that you were interested?

"A. That is so. It was published in the papers—an [fol. 1727] account of my accepting the Chairmanship of General Motors Board. They knew I was interested."

"Q. Mr. du Pont, at this time, December 19, 1917, assuming that the du Pont Company would buy as recommended the 223,000 shares of stock plus the 50,000 which Mr. Raskob refers to, and assuming that his figures are correct with respect to, those friends of du Pont who can be relied upon in a proxy battle, then as of December 19, 1917, the du Pont interests—I will use the broad phrase—actually controlled more votes in General Motors than did Mr. Durant. Is that not correct?

"A. I don't think we knew that to be correct. I am not sure that it was.

"Q. I call your attention, to refresh your recollection—

"Mr. Harlan: Let him finish.

"Mr. Hotchkiss: Oh, pardon me.

"The Witness: From the figures here, we are not certain that those attributed to be du Pont were really du Pont, and those attributed to Durant were really Durant people. This was an estimate made up by Mr. Raskob, I suppose in connection with Mr. Durant, but you can't make those groups one unit by supposition.

"By Mr. Hotchkiss:

"Q. But on the basis of the best information then available, the du Pont Company stock which the company was [fol. 1728] going to get, plus the stock held by Wilmington people and du Pont friends, totaled more than the shares of stock ascribed to the holdings of Mr. Durant and his friends. Is that not true?

"A. As it appears from these figures, it is true.

"Q. Yes.

"A. But I wouldn't consider they were very reliable.

"Q. Yes. Was it not a fact that as of December 19, 1917, you and your associates in the du Pont Company intended to acquire effective operating control of General Motors and felt at that time that for all practical purposes you had achieved that objective?

"A. I don't know what you mean by 'effective operating control,' but at that time we did not intend to possess any more General Motors stock than is set forth here. That was all we proposed to buy, and none of the Wilmington people were any way certain.



"Q. Mr. du Pont, at that time, December 19, 1917, didn't you and your immediate associates in the du Pont Company feel that Mr. Durant was on his way out as an effective force in the company?"

"A. No.

"Q. I call your attention to page 12 of Defendants' Exhibit 85——"

and that is the same Government Trial Exhibit No. 124——  
"you will find the page number two-thirds of the way down the page—and under the heading 'MANAGEMENT' I read:

" 'Perhaps it is not made clear that the directorates of the motor companies will be chosen by du Pont and Durant.'

[fol. 1729] "Then I read:

" 'Mr. Durant should . . . ' — I repeat — ' . . . should be continued as President of the Company, Mr. P. S. du Pont will . . . ' — I repeat — ' . . . will be continued as Chairman of the Board, the Finance Committee will be ours and we will have such representation on the Executive Committee as we desire, and it is the writer's belief that ultimately the du Pont Company will absolutely control and dominate the whole General Motors situation with the entire approval of Mr. Durant, who, I think, will eventually place his holdings with us taking his payment therefor in some securities mutually satisfactory.'

"Then the last sentence of the next paragraph:

" 'If our fundamentals are sound, as they certainly seem to be in this case, the control of the General Motors Company will be a task worthy of the best there is in us and will I feel afford many opportunities to keep our important men occupied with big things after the war.'

"Mr. du Pont, do you recall whether this recommendation of the Treasurer to the Finance Committee, this Defendants' Exhibit 85, or a copy thereof, was ever shown to Mr. Durant?"

"A. I do not know whether it was or not, no.

"Q. I call your attention to the opposite page, the understanding under which the du Pont Company is to make this investment:"

And reading from the Government trial exhibit:

"1. With Mr. Durant we will have joint control of the companies.

[fol. 1730] "2. We are immediately to assume charge and be responsible for the financial operation of the Company."

referring to General Motors Company.

"Then towards the end of that number 2, I read:

"From a financial standpoint, I feel that a consolidation of the financial divisions of the du Pont and General Motors Companies will be of tremendous advantage to us as well as to the General Motors Company and is a thing to be sought and desired from our standpoint."

"I ask, Mr. du Pont, with reference to that last portion that I read, particularly the language referring to a consolidation of the financial divisions of the du Pont and General Motors companies, whether you and Mr. Raskob were referring to a kind of arrangement under which most of the members of the Finance Committee of the du Pont Company would sit on the Finance Committee of the General Motors Company. Is that true?

"A. No, I don't think it is true. I don't know what that paragraph means, about consolidation of the financial divisions of the du Pont and General Motors Corporations.

"Q. I suggested for your consideration the machinery whereby such an effective consolidation might be accomplished, and I asked whether that was the machinery which was utilized to secure this consolidation of the financial divisions of the du Pont Company and the General Motors Company.

"A. No, it was not.

"Q. Was it not a fact, however, Mr. du Pont, that most of the members of the Finance Committee of the du Pont

[fol. 1731] Company as it was then constituted were in fact placed on the Finance Committee of General Motors?

"A. That might be.

"Q. I call your attention now to Defendant's Exhibit 88."

That exhibit is not in evidence.

"That is, is it not, the minutes of the joint meeting of the Executive Committee and the Finance Committee—pardon me. That is a meeting of the Board of Directors of the du Pont Company, at which time the Board formally approved this acquisition by the du Pont Company of this interest in the General Motors Company.

"A. Yes.

"Q. Mr. du Pont, did not then and thereafter a very considerable number—a majority, as a matter of fact—of the persons listed as being here, as being the members of the Board of Directors of the du Pont Company, serve in various official capacities with the General Motors Company?

"A. There are six of them.

"Q. There is Mr. P. S. du Pont—certainly you served?

"A. Yes.

"Q. With General Motors?

"A. Yes.

"Q. Mr. Irene du Pont did serve?

"A. Yes.

"Q. Mr. H. F. Brown did serve, did he not?

"A. No.

"Q. Did Mr. F. G. Tallman serve?

"A. No.

"Q. Did Mr. H. F. du Pont?

"A. Yes.

"Q. Did Mr. William Coyne?

"A. No.

"Q. Mr. J. P. Laffey?

"A. No.

"Q. Mr. Barksdale—he was with Chevrolet at the time, was he not?

"A. He was with Chevrolet, but not with General Motors.

"Q. And Mr. Lamot du Pont?

"A. Yes.

[fol. 1732] "Q. Mr. R. R. M. Carpenter?

"A. No.

"Q. Mr. Raskob?

"A. Yes.

"Q. Mr. A. Felix du Pont?

"A. No.

"Q. Mr. H. G. Haskell?

"A. No.

"Q. Mr. J. A. Haskell?

"A. Yes.

"Q. Mr. Patterson?

"A. No.

"Q. Mr. Eugene du Pont?

"A. No.

"Q. Mr. Pierce?

"A. No.

"Q. Reese?

"A. No.

"Q. Eugene E. du Pont?

"A. No.

"Q. Alexis I. du Pont?

"A. No.

"Q. Buckner?

"A. No. There are about six of them."

Mr. Houchins: That is all from that particular portion. Moving on over in the deposition.

Mr. Harsha: Reading from page 586 a short excerpt. This is a continuation of the cross examination by Mr. Hotchkiss. Mr. Hotchkiss asked:

"Q. You think you wrote that? Thank you.

"Mr. du Pont, I hand you what has been marked for the purposes of identification as Government's Exhibit 82."

And that, incidentally, is Government's Trial Exhibit 134, your Honor, now in evidence.

"This exhibit bears in the lower right hand corner the numbers gmc 912b, is dated December 12, 1918, and is from John J. Raskob to the Finance Committee, and deals generally with estimates as to certain capital expenditures which should be made by the General Motors Corporation during the coming year, and there appears a recommenda-

tion on the second page that the company sell eighteen [fol. 1733] million dollars worth of common stock and that certain other money be secured through issuing common stock in payment for the McLaughlin-Buick properties. Mr. du Pont, in the normal course of proceedings this would go to the Finance Committee of the General Motors Company?

"A. Yes, it would.

"Q. Do you recall this proposal going to the Finance Committee?

"A. I believe it did, yes, sir.

"Q. Now, at the same time—this is December 12, 1918—you were also on the Finance Committee of the du Pont Company?

"A. Yes.

"Q. Do you also recall this particular recommendation or report, or a copy, being submitted to the Finance Committee of the du Pont Company?

"A. I don't recall that. There may have been.

"Q. There were, were there not, occasions when reports which were made to the Finance Committee of the General Motors Company were then referred to the Finance Committee of the du Pont Company? Is that correct?

"A. No, I think not. There was no motion to refer anything to the du Pont Company.

"Q. I am not speaking in terms of any formal motion.

"A. No.

"Q. I am simply speaking, Mr. du Pont, in terms of a report or a recommendation which had been made in usual channels informing the Finance Committee of General Motors, also being submitted or shown or turned over to the Finance Committee of the du Pont Company.

"A. I think that was done in line with the understanding that the du Pont Company would manage the finances of the General Motors Company, subject to the Finance Committee and approval of General Motors."

[fol. 1734] Mr. Harlan: Your Honor, at this time may I read and excerpt from the redirect to fill out the portion which has been read?

The Court: You may.



Mr. Harlan: Your Honor has been advised that Mr. du Pont is going to be a witness on our side of the case. I am limiting myself in this reading to such portions that I feel would fill out the matters that the Government has read.

I am reading from page 895 and 896 which is the redirect examination.

"Q. Will you please look at page 587 of the record, the questions on that page 587, and particularly the last question which Mr. Hotchkiss asked you at that point?

"A. I am simply speaking, Mr. du Pont, in terms of a report or a recommendation which had been made in usual channels informing the Finance Committee of General Motors, also being submitted or shown or turned over to the Finance Committee of the du Pont Company?"

"A. Think that was done in line with the understanding that the du Pont Company would manage the finances of the General Motors Company subject to the Finance Committee and approval of General Motors."

"I want to ask you whether irrespective of the circumstances or irrespective of the subject matter was there any general practice of having reports made to the Finance Committee of General Motors submitted to the Finance Committee of the du Pont Company?"

"A. Yes. You mean all reports?"

"Q. Yes."

"A. No, there was no such system."

"Q. What were you referring to there in your answer when you stated as I read in answer to the question of Mr. Hotchkiss that I read?"

"A. The items to be referred from General Motors to the Finance Committee of the du Pont Company related to the du Pont management of finances."

"Q. Management of finances of what?"

"A. Of General Motors, which they had engaged to undertake."

"Q. Can you give any illustrations of the type of situation that you are describing in your answer?"

"A. For instance, if a new issue of securities was to be made of General Motors stock to be taken by the stockholders of General Motors, of which du Pont Company was one, I think that would have been referred, especially if that required any guaranty of shares or anything of that kind."

Mr. Harsha: I now turn to page 593. This is continuing in the cross examination the second question on the page:

"Q. I call your attention, Mr. du Pont, to Defendants' Exhibit 111——"

I should add, your Honor, that is Government's Trial Exhibit No. 140, already in evidence.

"—which consists of—I suppose you would call it a report or recommendation from John J. Raskob to the Finance Committee of the du Pont Company—dated March 19, 1920. It relates generally to the matter of raising additional capital for the use of the General Motors Company. The figure sixty million dollars is mentioned. At that time is it not true that General Motors Company as well as other companies and business enterprises in the country were going through what might today be called a business [fol. 1736] recession?"

"A. The latter part of 1920, yes. I think it had hardly started in March, 1920.

"Q. The proposal is made in this communication to the Finance Committee of the du Pont Company that additional stock of General Motors be sold. At the bottom of the first page there is this language:

".... the industry can employ \$60,000,000 additional which will also earn 30 per cent then there is no sacrifice in having the \$60,000,000 additional supplied by others provided they are satisfactory partners."

"At this time apparently General Motors did need sixty million dollars or thereabouts. Why should Mr. Raskob be concerned with the question of who would supply that additional capital? Do you recall it?"

"A. That was one of the duties of the Finance Committee of the General Motors, to supply the capital. The du Pont Company would undertake to look after the financial business of General Motors for it, according to the arrangement with Durant. Thereupon it became the concern of the du Pont Company to propose the means of getting this money.

"Q. It was then the responsibility of the du Pont Company?

"A. The responsibility through that agreement with Durant that du Pont entered into, with the General Motors Corporation."

That is all I propose to read from that excerpt.

I now turn to page 732, your Honor. Beginning with the second question on the page, and this is continuing the cross examination:

"Q. I direct your attention now, Mr. du Pont, to Defendants' Exhibit 160—[marked also in the deposition as Defendants' Exhibit No. 256]" which is now in evidence as Government Trial Exhibit 610—

[fol. 1737] "—which is a memorandum from you dated March 24, 1922, to Mr. Irene du Pont, in which you state, 'I am enclosing herewith brief report on the gasoline dope situation. The developments look very promising.'

"Mr. du Pont, back in those days you were president of the General Motors Corporation?

"A. I was, yes.

"Q. And you were also Chairman of the Board, were you not, at this particular time?

"A. Yes.

"Q. You received this report that is referred to here on the gasoline 'dope' situation in the more or less normal routine of your duties, is that correct?

"A. With General Motors, yes.

"Q. And thereupon you transmitted the report which had been made by Mr. Kettering to Mr. Irene du Pont. In what capacity were you transmitting this report to Mr. Irene du Pont, do you recall?

"A. This was not a written report from Kettering. It came from conversations I had had with Kettering. The information was gained from Kettering, but it was not a report made by him, just a conversation.

"Q. Mr. Kettering had a conversation with you?

"A. Yes.

"Q. And then after the conversation you dictated a summary of the conversation, is that correct?

"A. Yes.

"Q. Now, was Mr. Irene du Pont at that time a member of the Board of Directors of General Motors?

"A. I think he was, yes.

"Q. And he was also, was he not, the President of the du Pont Company?

"A. Right.

"Q. Now, in transmitting this memorandum of yours to Mr. Irene du Pont with this report, in what capacity did you want Mr. Irene du Pont to receive the report? Was [fol. 1738] it in his capacity as an officer of du Pont or in his capacity as a Director of the General Motors Company, do you recall?

"A. In any capacity he chose to receive it.

"Q. That is, it would not make any difference to you in what capacity he received it, is that right?

"A. I think that is right, yes.

"Q. And it would make no difference to the operations of either the General Motors Corporation or the du Pont Company as to in what capacity he received your communication?

"A. I think it would make no difference."

I turn now to page 766, beginning at the bottom of the page. This is continuing the cross examination:

"Q. Mr. du Pont, I want to advise you that in the next few minutes I want to direct some questions at you with reference to the fabrikoid business and possibly the rubber-coated fabric business. The first document I want to call to your attention is Government Exhibit No. 278 [Government Trial Exhibit No. 291], so marked for identification, which consists of a letter dated April 19, 1918, from Mr. Silkman, sales agent of du Pont Fabrikoid Company, to Mr. J. A. Haskell, which reads:

"We are to a great extent familiar with the various companies, comprising the General Motors, but we are afraid we have not the entire list, and pursuant to a plan, thought, which we wish to work out, which came up at a recent meeting, our people had with Messrs. Hohensee and Durant, at which conference, I had the pleasure of meeting you, it is necessary we have a complete list of all of the firms, comprising the General Motors Organization.

"Won't you kindly favor me with such a list?"

[fol. 1739] "I call your attention now to the reply to that letter which has been marked for identification as Government Exhibit No. 279 [Government Trial Exhibit No. 292] in which Mr. Haskell replies giving a list of the companies comprising General Motors. Was it not true, Mr. du Pont, that one of the functions of Mr. J. A. Haskell in these early years of the du Pont interest in General Motors was to act as the liaison man between General Motors and du Pont in supplying the du Pont people as to information regarding trade opportunities in the General Motors organization and in advising the General Motors people as to the products which they could secure from the du Pont Company.

"A. It is very difficult to answer that question. He certainly occupied a position of giving information concerning General Motors to du Pont as a large stockholder in General Motors and as a person that was engaged to look after the finances of General Motors Company. I believe that is all that he was.

"Q. Now he had, prior to the time that he became affiliated with General Motors in an official capacity, been connected with the du Pont Company, had he not?

"A. Yes, sir.

"Q. Could you estimate the number of years that he had been connected with the du Pont Company prior to that?

"A. Since 1903."

"Q. And had he held important positions with the du Pont Company during that period of time from 1903 to let us say 1917?

"A. He had.

"Q. Could you state the general nature of the positions which he held with the du Pont Company?

"A. In general he was head of the sales department of the du Pont interests. That was his chief function throughout.

"Q. And is it not true that very shortly after du Pont [fol. 1740] acquired its interest in General Motors Company, that Mr. Haskell, J. A. Haskell, became an officer and a director of the General Motors Company?

"A. Yes."

I am stopping there and passing on then to—

Mr. Harlan: Excuse me. May I read one more excerpt to fill out the excerpt just read?



The Court: You may.

Mr. Harlan: I am reading from redirect examination at pages 904 and 905:

"Q. Now, will you direct your attention to Mr. J. A. Haskell for a moment, page 768 of the printed record, the last question on page 768 and the first two questions on 769, where Mr. Hotchkiss asked you:

"Question: 'And on whose initiative did Mr. J. A. Haskell become an officer and a director of General Motors Company if you recall?'

"Answer: 'No, I do not recall. It would have been the province of the Executive Committee of the du Pont Company to appoint someone.'

"Question: 'It would have been the province of the Executive Committee of the du Pont Company to designate Mr. Haskell for that position with the General Motors Company?'

"Answer: 'And to release him.'

"Question: 'And to release him from his duties with the du Pont Company?'

"Answer: 'Right.' "

Then a question on redirect follows.

"In point of fact did the Executive Committee of du Pont appoint Haskell to do his job in General Motors?

[fol. 1741] "A. No, I was wrong in that. Haskell was originally chosen for General Motors at the first meeting of the committee to nominate directors of the General Motors Corporation, and I made that appointment myself.

"Q. That was that episode that you referred to with Kaufman in your previous testimony that took place in 1915?

"A. Yes, that is when Haskell first appeared. And he stood in that relative position throughout as a director and afterwards as an officer, and as an officer, of course, he was appointed by the Board of Directors, the Board of Directors of General Motors.

"Q. And at the time you designated him as one of the three neutral directors in the 1915 episode in connection with the panel for the General Motors Board, did Mr. Haskell perform any active functions in the du Pont Company?

"A. Well, he was one of the vice presidents and open to

any assignment that was given to him. He had no definite assignments.

"Q. He was on a semi-retired basis, wasn't he?"

"A. I would say so, yes."

Thank you, your Honor.

Mr. Harsha: I turn now to page 782 at the top of the page, the second question:

"Q. I call your attention to Government Exhibit No. 291 [Government Trial Exhibit No. 406], the same being a report dated February 12, 1923, from the Cellulose Products Department to the Executive Committee of the du Pont Company, and I ask you to turn to page 7 of that report, and I read from the middle of the page a sentence which starts about the middle of that long paragraph immediately under the heading 'Fabrikoid & Auto Top Materials': 'At the present time all leather substitute and top material is [fol. 1742] furnished by the Fabrikoid Division, and while several of our competitors are large enough to constitute a satisfactory source of supply the fact that under present conditions none of our competitors are called up to furnish any material constitutes a violation of this resolution.'

"For the sake of the record, Mr. du Pont, the 'resolution' is referred to in the foregoing part of this report as being a resolution of, I think, the Purchasing Committee of General Motors that they wished to have two sources of supply for all their products.

"Mr. du Pont, were you kept advised during this general period of time as to the relative amount or proportion of General Motors business which the du Pont Company was receiving?"

"A. Not in any regular manner, no.

"Q. Periodically, however, information did reach you?"

"A. At times, yes.

"Q. And you did receive, did you not, information similar to this?"

"A. Yes. I don't remember this report.

"Q. Now I call attention to the next paragraph on this page 7:

"A meeting was arranged while I was in Detroit to enable me to confer with Messrs. Main, Director of Purchases, Lynah, Assistant Director of Purchases,

J. L. Pratt, who is on the purchasing committee, O'Keefe, Purchasing Agent for Chevrolet, and Hulgrave, Purchasing Agent for Cadillac.'

"Mr. du Pont, are you or were you acquainted with each of the persons there named: Messrs. Main, Lynah, Pratt, O'Keefe and Hulgrave?

"A. Was I acquainted with them?

"Q. Were you acquainted with those persons?

[fol. 1743] "A. I was with Lynah and Pratt, but not with Main, O'Keefe or Hulgrave. I don't remember having met those men.

"Q. You say that you were acquainted with Mr. Lynah. What was his background, do you recall?

"A. His background was in the manufacture of smokeless powder, during the Great War, for the du Pont Company.

"Q. He had been employed by the du Pont Company for a number of years, had he?

"A. Not very many years. He was a young man.

"Q. And then after World War I he was transferred to the General Motors Company, is that correct?

"A. That is right, yes.

"Q. Where he became Assistant Director of Purchases?

"A. That is as it reads here.

"Q. Who was Mr. J. L. Pratt?

"A. He was also of the du Pont Company, engaged I think in the war effort, but I can't remember in what capacity.

"Q. And after World War I, and following the du Pont acquisition of a stock interest in General Motors, was Mr. Pratt transferred to the General Motors Company?

"A. At the request of Mr. Durant, I believe.

"Q. At the request of Mr. Durant?

"A. Yes.

"Q. And du Pont acceded to that request, did they not?

"A. Yes.

"Q. And Mr. Pratt became a rather important official of the General Motors Company?

"A. He did.

"Q. I believe the record will show that he became a Vice President and a Director?

"A. Yes, that is right.

"Q. And did Mr. Pratt, in connection with his functions with the General Motors Company, devote rather particular [fol. 1744] attention to the question of the purchases which the General Motors Company made?

"A. He was Chairman of the Purchasing Committee, I believe."

I stop there. I turn next to page 879, and this is on cross examination, and I am reading from the middle of the page:

"Q. Now, I hand you, Mr. du Pont, Government's Exhibit 370"—

That is your Honor, Government's Exhibit No. 509 which is in evidence—"which consists of an extract from minutes of regular monthly meeting of the Board of Directors of the du Pont Company, July 18, 1927, and at the top of the material appears this in caps—apparently the subject of the meeting is the 'Loan to General Motors Corporation of 247,600 Shares of General Motors Corporation Common Stock by General Motors Securities Company.'

"Now, Mr. du Pont, about this time in 1927 the proposal did arise, did it not, that the General Motors Company acquire the remainder of the stock of the Fisher Body Company?

"A. That question arose. I don't remember the date, though.

"Q. Yes. And the du Pont Company approved General Motors Company making that acquisition?

"A. Whatever the record shows. I have no recollection of the transaction.

"Q. It is a fact, is it not, that the General Motors Company did thereafter acquire all the outstanding stock of Fisher Body?

"A. Yes.

"Q. Did General Motors in return for that stock or at least in part payment therefor give the Fisher boys General Motors stock, do you recall? [fol. 1745]

"A. I don't recall, but apparently that was the case.

"Q. And do you recall whether any arrangements or understandings or any agreements was entered into between General Motors and the Fisher Body Company or the Fisher boys with respect to the matter of retaining the services of the Fisher boys?

"A. I think there were agreements with all of them.

"Q. There were agreements with all?

"A. Yes, Service agreements."

I stop there and I turn now to 931 near the bottom of the page, and this was on recross examination:

"Q. Now going a step further on, Mr. du Pont, after Fred Fisher was appointed to the Executive Committee did the Fisher Body Company start to buy substantially larger quantities of goods from the du Pont Company and from Flint?

"A. I don't know.

"Q. As a matter of fact Fisher Body did not, did they?

"A. I don't know either whether they did or did not.

"Q. You don't recall that? Well, I think the record will show. The record will show also how long a time after this appointment was made that General Motors bought the remainder of the outstanding stock of Fisher.

"A. The record will show, yes.

"Q. That acquisition of stock was made from the Fisher brothers, was it not, in large measure? The acquisition by General Motors of the remainder of the Fisher Body stock?

"A. Well, there was quite a lot of Fisher stock that was not owned by the Fisher brothers. I can't remember whether that was in the second purchase or whether it was in the first.

[fols. 1746-1823] "Q. But the big block in the second purchase was made from the Fisher boys, was it not?

"A. I don't know about that.

"Q. You have testified on cross examination that in connection with this second purchase by General Motors of the Fisher Body stock that certain arrangements and understandings were arrived at with the Fisher boys with respect to their continuing status with the company. In the meantime, Mr. du Pont, do you recall or remember what those arrangements were?

"A. I think they had employment contracts or something of that nature covering a period of time.

"Q. For a considerable period of years? Do you recall approximately?

"A. No, I don't recall at all, no. I would think not. Maybe five years.

"Q. You have referred to—I think it was Fred Fisher, or perhaps the Fisher boys—as being hard bargainers in your



cross examination. Did the Fisher boys, as a condition to their selling this second block of their Fisher Body stock to General Motors, require these employment contracts, do you recall?

"A. I think they probably did, it having occurred about the same time, but I don't recollect any agreement regarding the two things."

Mr. Harsha: That is all we propose to offer, and that completes, your Honor, the proffer of the Government's documentary evidence. There are a few things I should like to mention first. There are just a few brief tag ends before the Government rests.

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[fol. 1824] PIERRE S. DU PONT, called as a witness in his own behalf, having been first duly sworn, was examined and testified as follows:

Direct examination

By Mr. Harlan:

Q. Now, Mr. du Pont, if you will turn your chair so that it is easy for you to face me, and use the microphone, I am sure we will all be able to hear you.

You are an individual defendant in this lawsuit?

A. I am, yes sir.

Q. What was the year of your birth?

A. 1870.

Q. And the month?

A. January.

Q. So that you are now in your eighty-fourth year?

A. Right.

Q. Where were you born?

A. Near Wilmington, Delaware.

Q. And how long have you resided in the State of Delaware?

A. Practically all my life excepting three or four years of college, and three years spent at Lorain, Ohio.

Mr. Harlan: Can your Honor hear satisfactorily?

The Court: Keep your voice up a little higher.

Mr. Harlan: If that microphone could be raised a little, perhaps.

The Court: Well, it is more distinct if he doesn't sit too closely. I think he is about in the right position now.

Mr. Harlan: I hope your Honor will let me know——

The Court: Yes, I will let you know if I don't hear.

[fol. 1825] By Mr. Harlan:

Q. From what college or university did you graduate?

A. Massachusetts Institute of Technology.

Q. And what year did you graduate?

A. 1890.

Q. And did you receive a degree?

A. Yes, Bachelor of Science.

Q. And what branch of science?

A. In chemistry.

Q. Is your wife deceased, Mr. du Pont?

A. Yes, she is.

Q. What was her name, Mr. du Pont?

A. Alice Belin du Pont.

Q. When did she die?

A. In 1944.

Q. In 1944. Did you and Mrs. du Pont have any children?

A. No, we had none.

Q. What living brothers and sisters have you at the present time?

A. I have two, one brother and one sister.

Q. And what are their names?

A. My brother Irene du Pont, and my sister, Margaretta du Pont Carpenter.

Q. Mr. Irene du Pont is one of the individual defendants in this lawsuit?

A. He is.

Q. And your sister, Margaretta, was the wife of Mr. R. R. M. Carpenter, is that right?

A. Yes, sir.

Q. What deceased brothers and sisters did you have?

A. Enumerating them, Mrs. Louisa du Pont Copeland, Mrs. Mary Aletta du Pont Laird, Mrs. Isabella du Pont Sharp; also Mrs. R. R. M. Carpenter that I already mentioned, and my brothers, H. Belin du Pont and William Kemble du Pont, and Lamot du Pont.

Q. You mentioned Mrs. R. R. M. Carpenter. She is still alive, is she not?

A. That's right.

Q. The others are all deceased?

A. Right.

Q. And the Lamot du Pont whom you have mentioned, [fol. 1826] was he also, during his lifetime, one of the so-called individual defendants in this lawsuit?

A. He was.

Q. When did you first become connected with any job in the du Pont Company?

A. In September, 1890.

Q. September, 1890?

A. 1890, yes.

Q. And what was your first job with the du Pont Company?

A. It was in chemical work and superintendence work in the Black Powder Department at Brandywine Mills, near Wilmington.

Q. And did you receive a salary?

A. Yes.

Q. How much was it when you first started?

A. I think it was \$80.00 a month.

Q. \$80.00 a month?

A. That's right.

The Court: Will the witness move this way a little further, please, so as to be right behind the microphone. Proceed, please.

By Mr. Harlan:

Q. Have you been with the du Pont Company ever since 1890 in one capacity or another?

A. Excepting the three years spent in Ohio at another job.

Q. And what was that other job, and what were the years?

A. The years were 1899 to 1902, and the job was in connection with liquidation of a corporation.

Q. Is that the Johnson Company?

A. The Johnson Company.

Q. And apart from that you have had no other jobs or connections than with the du Pont Company?

A. That's right, sir, yes, sir.

Q. So am I correct in saying that you have been con-

nected with the du Pont Company in one capacity or another [fol. 1827] other for the last—for 61 out of the last 63 years?

A. That's right.

Mr. Harlan: I now offer du Pont Exhibit No. 1, which is in your Honor's loose leaf volume. By the way, if your Honor please, we have marked these exhibits for the most part on the examination of these witnesses. I intend to introduce them chronologically as they are marked.

As du Pont Exhibit No. 1, we offer a tabulation of the different positions held by Mr. Pierre du Pont in the du Pont Company, the present du Pont Company, and its predecessors, from 1890 to date.

I thought it would be convenient to have that in tabular form so we don't have to go through the question of putting those details on the record through the testimony.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 1.)

By Mr. Harlan:

Q. When did you first become a stockholder in the du Pont Company or any of its predecessors?

A. 1902.

Q. Have you since that time always been a stockholder?

A. I have.

Q. Have you read the complaint in this lawsuit?

A. Yes, I have.

Q. Are the charges that you were a participant in a conspiracy to violate the Sherman Act, the anti-trust laws, are those charges known to you?

A. I know the charges, yes.

Q. Are they true or false?

A. False.

[fol. 1828] Q. Your deposition, if you recall, was taken in this lawsuit in Wilmington in May and June, 1951. Do you recall that?

A. I recall that, yes.

Q. Has it always been your intention to appear before his Honor personally, if you were able to do so, and testify in person at this lawsuit?

A. Yes, that has been my intention.

Mr. Harlan: If your Honor please, the first line of proof that I am going to undertake to develop relates to the Government's charges that the individual defendants as part of this alleged Sherman Act conspiracy, conspired to get control of the du Pont Company, or as it is stated in their trial brief, to seize control of the du Pont Company.

My questions to Mr. du Pont for the next few moments are going to be directed to that assertion on the Government's part.

By Mr. Harlan:

Q. Are you familiar with the history of the du Pont Company and its predecessor companies?

A. Yes, I am.

Q. By whom was the original business of the du Pont Company founded?

A. E. I. du Pont.

Q. What was his full name?

A. Eleuthere Irenee du Pont.

Q. What relation was Mr. Eleuthere I. du Pont to you?

A. My great grandfather.

Q. Without going into too much detail, will you please state to the Court the circumstances as to how that original enterprise came to be founded by Mr. Eleuthere I. du Pont?

A. Mr. du Pont was employed in the powder factory of the French Government in France as a young man, and [fol.1829] there he learned quite a good deal of the powder manufacturing business.

Later, he left the powder business and conducted a printing press for his father. Those are the only two positions he held while in France. He was then quite a young man.

In 1800, du Pont and his wife and the three children went to America. His father had a plan for operations in Delaware in connection with real estate matters. The plan of the father failed, leaving du Pont, the younger, stranded in America with no information as to what he might do and nothing that he could go into excepting the powder business. That was the only thing he knew.

As a result he decided to try to start the powder business in America through his own knowledge; he having found that the powder that was used in America was of very poor quality, especially the English powder which was selling at a very high price.



He then proceeded to France, and ordered the machinery which could not be obtained in the United States; he consulted with friends in the French Powder Works, who gave him information, drawings, and so on. He also obtained some subscriptions to his stock list to start his company.

He returned to America in the course of three or four months. He then traveled all through the eastern part of the United States, seeking a water power in order to operate his plant, which required what was considered quite a little power at that time.

He finally located near Wilmington, Delaware, on the banks of Brandywine Creek, which was considered a very fine water power, and started building his factory. The [fol. 1830] factory started manufacturing in 1804, and continued, and was finally abandoned a very few years ago.

That was the life work of Eleuthere I. du Pont. He died in 1834, after having paid off the debts of his company, and was the owner of the complete stock at the time.

Q. Can you tell us what the original capital of that first enterprise amounted to, how much?

A. \$36,000 in shares, which were paid for in cash. Then what we would call common stock shares, which had no payment of cash back of them, but which were divided in large part, I think 30 per cent, to Irenee du Pont, and the rest to the subscribers of the capital.

Q. How much of that \$36,000 did your great grandfather, Eleuthere, put up—or I guess it was your great great grandfather, Pierre Samuël du Pont, who put up the capital, was it?

A. He put up, I think it was, \$12,000 of it, of the \$36,000. His son, Irenee, put up nothing because he had nothing to put up.

Q. Was that first enterprise a partnership or a corporation?

A. A partnership.

Q. How long did that partnership continue?

A. It continued with some revisions until the death of Irenee du Pont in 1834.

Q. Following Mr. E. I. du Pont's death in 1834, was the partnership continued by his descendants?

A. It was continued by his children, the three sons and four daughters.

Q. What was the name of your father, Mr. du Pont?

A. Lammot du Pont.

Q. Your deceased brother, Lammot, bore his name?

A. Yes, he did.

[fol. 1831] Q. Was your father, Mr. Lammot du Pont, Sr., a member of that partnership?

A. He was.

Q. For how long?

A. From 1857 until 1880.

Q. When did your father die?

A. 1884.

Q. How did he die?

A. He was killed in an accident in the mills.

Q. Were you ever a member of the original du Pont partnership?

A. No, I never was.

Q. Or were any of your brothers and sisters?

A. None of them.

Q. How long did the partnership, following Mr. E. I. du Pont's death, in 1884, continue as a partnership?

A. Well, it continued with revisions until 1899.

Q. And at that stage what happened?

A. It was incorporated as E. I. du Pont de Nemours & Company, the same name as the partnership, in the State of Delaware.

Q. And that was 1899?

A. 1899.

Q. Who were the stockholders of that 1899 company which succeeded to the partnership?

A. The same individuals who had been in the partnership with the same relative holdings. Shall I name them?

Q. No, I don't think that is necessary. You say they were all members of the du Pont family?

A. All of them, yes.

Q. Did you own any stock in the 1899 company?

A. No, I did not.

Q. Do you know whether any of your brothers and sisters owned any stock in that company?

A. They did not.

Q. Who was president of the 1899 company?

A. Eugene du Pont.

Q. What relation was he to you?

A. My father's first cousin.

[fol. 1832] Q. When did Mr. Eugene du Pont die?

A. He died in January of 1802.

Q. 1802?

A. 1902.

Q. What became of the 1899 company upon the death of Mr. Eugene du Pont?

A. That was liquidated.

Q. Was it replaced by another company?

A. It was replaced by a company organized in 1902.

Q. You have previously stated that you became a stockholder of the du Pont Company in 1902.

A. Yes, sir.

Q. Will you please tell the Court the circumstances under which you became a stockholder in the business at that time?

A. Eugene du Pont had died in January of 1902. None of the other stockholders felt capable of heading the business, taking charge. Three of them were in ill health and the senior member was unwilling to take on the work. The sixth member asked whether he might be permitted to organize a company to take over the business of the 1899 corporation. He was granted that permission and he proceeded to interest my cousin, Coleman du Pont, and myself in the business with him.

Q. Who was that man?

A. That was Alfred du Pont. He had the option to organize the new company. Coleman du Pont was my first cousin, and also first cousin of Alfred du Pont.

Q. Then what happened following Alfred's invitation to you and Coleman to join with him in purchasing the 1899 company?

A. Coleman said that he would agree to go in if I would join, and that was agreeable to Alfred, so we three together made a proposition to the owners of the company to purchase its assets.

They named the price of \$12,000,000, which was accepted. Coleman du Pont told the owners that we could not pay cash [fol. 1833] for the whole amount, but would pay some cash and give a stock bonus in proportion, in relation of the cash to the whole, and if they would consent to take notes for the full \$12,000,000, we would give them 25 per cent of the stock of the new company, which we proposed to organize. That was accepted by the former partners, or stockholders, of the 1899 corporation.

Q. And that resulted in the formation of the 1902 company?

A. Yes, the new company was organized in Delaware to take over the property.

Mr. Harlan: I am sure there will be no objection to my stating, to keep the chain of events in chronological order—it is in the complaint and in the answers—that all the seventy-five percent of the stock of the 1902 company, which was left over after the twenty-five percent of the stock went to the former stockholders of the 1899 company, or, rather, to the 1899 company as part payment of its assets, then distributed by the 1899 company, that seventy-five percent was distributed, 43,000-odd shares to Mr. Coleman du Pont, 21,600 shares odd to Mr. Pierre du Pont, and 21,600 shares to Mr. Alfred du Pont. Is that all right, Mr. Harsha?

Mr. Harsha: That is agreeable, sir.

By Mr. Harlan:

Q. And in addition, Mr. Alfred I. du Pont received as his share of the twenty-five percent of the stock that was retained by the 1899 company, because of his being a stockholder in that company, an additional 3,000-odd shares.

Do you recall, Mr. du Pont, there was an additional block of stock of the 1902 company that was trusted?

[fol. 1834] A. Yes, sir, three percent of the stock was trusted for the future benefit of those who might join the company, who were not then employed by the company.

Q. Who became the president of the 1902 company?

A. Coleman du Pont.

Q. What job did Alfred hold?

A. He was vice president of the company in charge of the black powder manufacturing.

Q. What job did you hold?

A. I was treasurer.

Q. And isn't it a fact that the stock of the 1902 company continued to be held entirely by you gentlemen, and the former stockholders of the 1899 company, all being members of the du Pont family?

A. That is substantially right, yes. There were a few shares that got into other hands.

Q. You understand I use the du Pont family in its

broader sense, not in its more restricted sense as it is used in the complaint?

A. In the broad sense.

Mr. Harlan: Now, I offer as the next du Pont Exhibit 2, if your Honor please, a letter dated February 20, 1902, from Mr. Pierre du Pont to Mr. Irene du Pont, his brother, which refers to the circumstances under which Mr. Pierre du Pont, Alfred du Pont and Coleman du Pont were given the opportunity to purchase the assets of the 1899 company. I shall not bother to read it, but it deals with the events Mr. du Pont has just summarized.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 2.)

By Mr. Harlan:

Q. Was the 1902 company succeeded by another company?

A. It was.

[fol. 1835] Q. What was the name of that company?

A. E. I. du Pont de Nemours Powder Company.

Q. Who was president of that company?

A. Coleman du Pont.

Q. What office did Alfred I. du Pont hold in that company?

A. Vice president.

Q. What office did you hold?

A. I was treasurer.

Q. This is 1903 we are talking about now.

A. Yes, sir.

Q. Did any of the younger members of the family, following 1903, come into the business in any capacity?

A. I think my brother Irene came in in 1903 and my brother Lammot in 1905.

Q. Do you remember whether Mr. R. R. M. Carpenter came in?

A. He came in about that time.

Q. How about A. Felix, your cousin?

A. He also came in at that time. Francis I. du Pont, Felix's older brother, was employed by the company at the time of the transfer.

Q. Now, that 1903 company was called the Powder Company generally speaking, wasn't it?



A. That is right.

Q. And that company lasted how long?

A. Until 1915.

Q. And then that company was succeeded by the present du Pont Company, was it not?

A. That is right.

Q. The so-called 1915 company?

A. That is right.

Q. Now, so much for the background.

Mr. Harlan: Now, if the court please, I am going into the circumstances and reasons for the formation of Christiana Securities Company which is claimed by the Government to have been formed for, and continued as a part of, this alleged conspiracy to violate the Sherman Act, and I [fol. 1836] want to ask Mr. du Pont questions as to the circumstances under which that company was formed.

Q. You said that Coleman was the president of the 1903 company?

A. That is right.

Q. Was he active throughout the existence of that company and up until 1914; was he active as president?

A. He was active, but with a number of intermittances. He fell into ill health and was absent a number of months at a time during that interval.

Q. What about Alfred?

A. Alfred also had a misfortune. He lost the sight of one eye. He also became very deaf so that he could not operate as chairman of the meeting or anything of that kind, not having hearing aids at that time.

Q. These periods when Coleman was inactive because of illness, intermittently, who carried on the functions of the president of the company?

A. I did.

Q. You still formally held the title of treasurer, is that right?

A. Yes, and acting president.

Q. Did there come a time when Coleman completely withdrew from any active participation in the management of the company?

A. There were several periods in which he was inactive, starting in 1909, when I was made acting president by a

vote of the executive committee and the board of directors. And then, after that, he was intermittently with the company and kept up his interest, but finally in 1914, although he had made a recovery in the early part of the year and had come back to active work, his health did not hold up and he retired permanently in 1914, in September, and that was the last time he appeared as an officer of the company. [fol. 1837] Q. Now, at the time of his permanent retirement, as you have just described it, were any administrative changes or organizational changes made in the 1903 Company?

A. Yes, sir, under his plan and direction—under Coleman's plan and direction, a new executive committee was organized, and the former active members of the executive committee retired and became vice presidents, and I took the burden of the presidency. Coleman directed that the new executive committee should be put through, and he directed that my brother Irenee be chairman, and the new executive committee became the active administrative body of the company. The president was not a member of that committee.

Q. It was the younger group that came into the executive committee?

A. That is right.

Q. Now, at this point, I want to refer to Government's Exhibit No. 27; when I say refer, I am trying to distinguish between offering our exhibits and referring to Government's Exhibits which are already in evidence, which I do not need to introduce again. Government's Exhibit No. 27, I read from page 1; this is a memorandum from Mr. Pierre du Pont, vice president of the 1903 company, to the board of directors of the company, dated September 11, 1914. The opening paragraph reads:

"As I have been requested by our President to assume the active duties of that office, I ask you to approve the following plan of changes in the organization of the company with a view to carrying out the policy of bringing into greater activity and responsibility those men who are now in charge of the several departments of the company."

[fol. 1838] Then going down to the bottom of the page and continuing, it is recommended:

"Increase the membership of the Finance Committee to four and place on that committee, P. S. du Pont, Alfred I du Pont, William du Pont and T. C. du Pont."

You have already described who Alfred and T. C. du Pont were. Who was Mr. William du Pont?

A. Mr. William du Pont was a first cousin of my father's. That is the relationship. He had been active in dynamite manufacturing.

Q. Was he a substantial stockholder in the 1903 company?

A. He was a substantial stockholder, yes.

Q. As were the other members of the Finance Committee?

A. Yes, sir.

Q. This appears on page 3; this is a further recommendation:

"Request the resignation of the present members of the Executive Committee and elect to Committee the following as in charge of the departments indicated."

Then there are listed the members of the new Executive Committee headed by Mr. Irene du Pont as chairman.

Without reading the list, I want to ask you whether Mr. F. L. Connable who was in that list described as being on the purchasing committee was related to you in any way?

A. No, he was not.

Q. How about Mr. H. F. Brown, director, smokeless powder department?

A. He was not related to me.

Q. Mr. William Coyne?

A. No, not related.

Q. Mr. H. G. Haskell?

A. No, he was no relation.

[fol. 1839] Q. J. J. Raskob, treasurer?

A. He was not related to me.

Q. By the way, let me ask you at this point, Mr. Raskob at this stage in 1914 was treasurer of the 1903 company?

A. He was made treasurer, yes.

Q. What has been Mr. Raskob's history in the company? How had he first come into the company?

A. He came in as my secretary. He was first employed by me as secretary and typist when I was in Lorain, Ohio. He came with me to the du Pont Company and was made assistant treasurer and remained with the company then after that.

Q. All right. Now, you said that Mr. Coleman du Pont retired from active affairs in the company in September of 1914?

A. Yes.

Q. Following that do you recall whether any offer was made by him with respect to the disposition of his stock or part of his stock in the company?

A. Yes, there was an offer made.

Q. When was it made, if you recall?

A. December, early December of 1914.

Q. And to whom was the offer made?

A. It was an offer suggested to the company. It wasn't directly an offer. It was a proposition to be put through. It was not in the form of an offer first. It was that the company agree to purchase stock and re-sell it to the prominent men in the company, especially the members of the Executive Committee who had no interest in the bonus plan of the company under the bonus rules. Coleman would furnish the stock, and the company would furnish the money to purchase it from him, and resell it to the different officers of the company on reasonable terms. He named the price, incidentally, of \$160.00 a share.

[fol. 1840] Q. \$160.00 a share?

A. Yes.

Q. Do you remember how much stock was included in that proposal to the company?

A. It was 20,000 shares.

Q. Well, what happened with that suggestion of his?

A. That was referred to the Finance Committee for their approval, the approval that the company should purchase the stock and resell it to the individuals.

Q. With what result?

A. The Finance Committee at first approved the plan—they had verbally—but in the meantime two of the members changed their minds thinking that the price of \$160.00 was too high, and recommended that \$125.00 would be a sufficient price to charge the men, that they couldn't afford to pay any more.

Q. And who were the two in the Finance Committee who took the position that Coleman's offer was too high?

A. Alfred du Pont and William du Pont.

Q. And what position did you take with respect to the company accepting Mr. Coleman's proposition?

A. I wished that they would do it. I voted that the proposition be accepted.

Q. Do you know what the considerations were that prompted Mr. Coleman du Pont to make this proposal to the company? Why did he wish to do this?

A. He was a great believer in interesting the prominent men of the company in the company's affairs as stockholders. The members of the Executive Committee, not having any opportunity for awards under the bonus plan of the company, were really shut out from any of the advantages that other employees had, and it was to them that he directed this opportunity chiefly.

Q. The Executive Committee at this time had been re-[fol. 1841] constituted to bring in some of the younger men, as you described it already?

A. I didn't understand the question.

Q. I say, at the time of Mr. Coleman's offer to the company, for the purposes that you described, had the Executive Committee just been reconstituted to bring in the younger men into the top management of the company?

A. It had, yes.

Q. And do you know what the fact was as to whether or not these new, younger members of the Executive Committee were or were not substantial stockholders at that time in the company?

A. Some of them had a considerable amount of stock, but they were not large stockholders. Most of them had very little stock.

Q. Now, you said that William du Pont and Alfred du Pont at the Finance Committee meeting when the Coleman proposal was made and put to them, objected to it?

A. Yes, that's right.

Q. And that you voted in favor of it?

A. Right.

Q. And as a result, what came about with Coleman's offer in light of that vote?

A. It was turned down by a two to one vote on it. Cole-



man du Pont was a member of the committee, but he was not present.

Q. And did you take any steps to notify Mr. Coleman du Pont as to the action taken by the Finance Committee?

A. He was, at that time—he had just submitted to a very severe operation, but I notified him by letter immediately. He received that letter about the first week in January.

Q. And then what happened to his offer?

A. Well, he was very much disappointed, but thought [fols. 1842-1843] maybe that something could be done to bring about a similar plan later on. I encouraged him in that belief thinking that the other members could be persuaded to take favorable action, which they did not.

Q. And what became of his offer?

A. It was withdrawn about the middle of January.

Mr. Harlan: Now, at this point may I introduce some documents, if your Honor please.

First, I offer du Pont No. 3, which is a letter from T. C. du Pont—that is Coleman du Pont—to Pierre du Pont dated December 7th, 1914; and I should like to read a portion of that letter.

The Court: Is that in my book?

Mr. Harlan: It should be, as Exhibit No. 3.

The Court: It should be in Volume 1, shouldn't it?

Mr. Harlan: It should, sir. I think those exhibits have been marked at the upper right-hand corner, and you should find one there called DP 3.

The Court: It doesn't appear to be here. I have 1, 2 and then 18.

I am sorry. I was looking at the second number. I understand.

Mr. Harlan: Then your Honor has du Pont Exhibit 3?

The Court: Yes, I have it.

(Said document so offered and received in evidence, was marked du Pont Exhibit No. 3.)

[fol. 1844] By Mr. Harlan:

Q. Mr. du Pont, having regard to the statement in Mr. Coleman's letter that he would like to have a suggestion from the Finance Committee or a committee appointed by them, as to how this stock might be allocated among the

executives, can you say whether such a suggestion was made to him?

A. Yes, it was.

Q. By whom?

A. I made the suggestion.

Q. You made the suggestion?

A. Yes.

Q. Do you know whether or not the result of that suggestion was to increase the total amount that would be needed for this purpose above the 20,000 shares that Coleman said he was willing to sell?

A. The total amount of the list that I gave Coleman was 20,700 shares. I think he said in that letter or another letter that he would furnish that extra stock.

Mr. Harlan: I next offer du Pont Exhibit No. 4, which is a letter from T. C. du Pont to P. S. du Pont, dated December 14, 1914.

[fol. 1845] (Said document so offered and received in evidence was marked du Pont Exhibit No. 4)

Mr. Harlan: Next in sequence I offer du Pont Exhibit No. 5. I need not read that, but simply point out to your Honor that that refers to Alfred du Pont's objection to the \$160 price, and suggests that that was too high for the company to pay.

(Said document so offered and received in evidence was marked Government's Exhibit No. 5.)

Mr. Harlan: Next I offer du Pont Exhibit No. 6, which is a letter dated December 17, 1914, from Coleman to Pierre du Pont. I want to read, with your Honor's permission, two or three paragraphs.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 6.)

[fol. 1846] Mr. Harlan: (Continuing)

"As I will be here likely 2 mos I told Lew Dunham of the stock sale, but made all necessary financial arrangements for the Equitable for Dec and until about middle of Jany. to be on the safe side."

[fol. 1847] By Mr. Harlan:

Q. Who was Lew Dunham?

A. Lew Dunham was Coleman du Pont's secretary.

Q. Do you know from any conversations that you had with Coleman about this time what the reference is in this last paragraph to the financial arrangements for Equitable?

A. I knew that he was in course of construction of the Equitable Building at New York, which he organized, and it was far from complete at the time. He did some financing in New York in regard to it. I knew nothing of the details of the financing, though.

Mr. Harlan: Next I offer du Pont Exhibit No. 7, which is a letter from Alfred I. du Pont to P. S. du Pont, dated December 21, 1914.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 7.)

Mr. Harlan: I shall not read it. It refers again to Alfred's criticisms, objections, to the price at which Coleman was offering the stock to the company.

Next I offer du Pont Exhibit No. 8, which is an excerpt from the minutes of the Finance Committee of the du Pont Company of a meeting held December 23, 1914.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 8.)

[fol. 1848] Next I offer du Pont Exhibit No. 9, which is a letter dated January 4, 1915, from Mr. Pierre du Pont to Mr. Coleman du Pont.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 9.)

Next I offer du Pont Exhibit No. 10, which is a letter to Coleman du Pont from Pierre du Pont, dated January 14, [fol. 1849] 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 10.)

Mr. Harlan: I would like to read, with your Honor's permission, from the last page, the next to last paragraph,

which refers to this train of events that we are now discussing:

"As to the stock offer: In Willie's absence—"

By Mr. Harlan:

Q. Who was Willie?

A. William du Pont.

Q. A member of the Finance Committee of the du Pont Company?

A. Yes.

Next I offer du Pont Exhibit No. 11, which is a letter from Coleman to Pierre du Pont, dated January 15, 1915.

[fol. 1850] (Said document so offered and received in evidence was marked du Pont Exhibit No. 11.)

Mr. Harlan: This reads:

"Dear Pierre:

"Thinking over the stock offer matter, I still think it an advantage to the company, but in view of Alfred's position I think it best to withdraw it if the Finance Committee has not accepted my proposition; when I get home we can talk it over and if best I can renew it, but it seems very unbusinesslike to leave it in its present condition.

"Of course if you have talked to Willie——"

By Mr. Harlan:

Q. That is William again?

A. That is right.

Mr. Harlan: William du Pont. Continuing:

"Of course if you have talked to Willie or are in any way committed that settles it I will carry out any statement you have made, on the other hand if you have not made any my judgment is to withdraw it, again if you have any good reason for not doing so let me know your position.

"Glad to say I am gaining a little daily about one day in four or five I get an off day and feel 'Bum' but four out of five or six I feel that I am gaining."

Next I offer du Pont Exhibit No. 12, if your Honor [fol. 1851] please, which is a telegram from Coleman du Pont to Pierre du Pont, dated January 17, 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 12.)

Mr. Harlan: This reads:

"Letter of fourteen received if you are not committed withdraw my offer will write."

The letter of the 14th is du Pont Exhibit No. 10, just offered. This was signed Coleman du Pont.

Finally, in this particular series, closing this episode, I offer du Pont Exhibit No. 13, which is a letter from Coleman du Pont to P. S. du Pont, dated January 19, 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 13.)

[fol. 1852] By Mr. Harlan:

Q. Now the offer of Coleman to the Company having met the fate that you have testified to and that these letters show, I want to turn to another subject.

Did you know a man in 1915 and 1914 named Kraftmeier?

A. I did, yes.

Q. What was his job? Who was he?

A. When I first knew him, which was a few years before that, he had been connected with the British Explosives Company in London.

Q. Without going into the details, when the European war broke out, in August of 1914, did the du Pont Company receive very substantial powder orders from the Allies, as they were called later on?

A. Yes.

Q. Did you have any connection or did your company have any connection with Mr. Kraftmeier, any dealings with Mr. Kraftmeier, in relation to those powder orders?

A. No, not at that time.

Q. Not at that time? Did they subsequently?

A. No, we never had any communication with Kraftmeier directly in regard to powder orders.



Q. Do you recall an episode during 1915 when Mr. Kraftmeier came to this country to see you and you had some talk with him?

A. Yes, I did.

[fol. 1853] Q. Will you state, as fully as you can from your recollection, how that meeting came about, and what the conversation was at the meeting?

A. The meeting was initiated by a cablegram from Kraftmeier saying that he was about to sail for the United States and was very anxious to meet me immediately on arrival.

I thought, of course, that it had something to do with powder orders of the British government, as we were engaged in such orders at the time.

When the appointed day came for his arrival I was in New York with my brother Irene who was chairman of the Executive Committee, and in charge of operations of the company; and Col. Buckner, who was a man who placed all of the powder contracts with the foreign governments, thinking there was something to do with powder orders that brought Kraftmeier to cable me.

But when he arrived he said nothing about the powder orders until he drew me aside and asked me pointblank whether it was true that some large stockholders of the du Pont Company had become financially involved, and that there was danger that the control of the du Pont Company might fall into other hands that were supposedly inimicable to the Allied cause. It was not the Allied cause at that time, but it became the Allied cause, and I assured him that that was not the case, that no such situation existed; I knew who the principal stockholders of the company were, and I knew that they were not selling stock, and he might dismiss the whole thing from his thoughts as being a false alarm.

Q. Did that complete the conversation?

A. That completed the conversation, and Kraftmeier seemed very pleased to hear the news, and that was the last I heard of him, although he stayed in the United States [fol. 1854] something over a month after that; I had no further communication with him.

Q. Following that communication did you report that conversation to anybody in the du Pont Company or to the Finance Committee?

A. I reported to the Finance Committee immediately.

Q. Can you state what discussion you had with the Finance Committee?

A. Well, after relating the incident I suggested—no, I think Mr. William du Pont suggested—that Mr. Alfred du Pont, himself and I, each make a statement of the condition of our holdings in the du Pont Company, as to which neither one of us knew of the other's position, and I stated that I had no loans with du Pont stock as collateral, that my du Pont stock was all in my lock box and would remain there, and they made like statements, and we were all very positive of the nature of those statements, with no hesitation.

They then asked me whether I knew what Coleman du Pont's position was. He was the largest stockholder involved, and I did not know, and had no idea what his situation was, but I agreed that I would find out from him, and I communicated with Coleman to give him the details of what had happened, and asked him whether he would make a statement, or whether he would join a pool of the stockholders which had been suggested at the previous meeting, and pool his stock for the duration of the war so that we would know that it could not fall into enemy hands and could assure our customers.

Coleman replied by letter that he was not embarrassed anyway, but that he would not join a pool unless he knew the conditions of the pool, which was certainly a proper [fol. 1855] reply. But that is all that was done in that matter, and I heard nothing further from Coleman.

Mr. Harlan: Now, at this point I offer, if your Honor please, du Pont Exhibit No. 14 which is a letter from Mr. Pierre du Pont to Mr. Coleman du Pont, dated January 25th, 1915.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 14.)

Mr. Harlan: And I would like to read from the middle of page 2 as follows, and that is the last paragraph on page 2:

“My New York visit was to meet Mr. Kraftmeier, who, with his wife and daughter, arrived on the Lusitania Saturday. He had cabled he wished to meet Irene and me immediately on his arrival. I supposed

that his mission was to place additional orders so we took Colonel Buckner along and were much surprised to find that Mr. Kraftmeier made no mention of orders. Finally, after he succeeded in drawing me aside, he told me that they had had a report that Kuhn, Loeb & Company of New York (who are pro-German firm)"—

By Mr. Harlan:

Q. Who told you they were a pro-German firm?

A. I don't remember. I think it was common gossip.

"had gained control of our company through the embarrassment of one of our large stockholders and that they on that account had fears concerning the orders placed with us. I, of course, assured him that nothing [fol. 1856]. of the kind had happened, or would happen; that all orders would be filled according to contract without any shadow of a doubt. He seemed somewhat relieved to hear this and said this was one of the important things that brought him over. From his conversation I judge that it was THE important thing, for no other part of our discussion seemed to be of moment. I imagine that the orders placed with our company are of serious concern to the Allies and a rumor such as Kraftmeier outlined might well be worth a visit of investigation to the United States."

Mr. Harlan: Next, if your Honor please, I offer du Pont No. 15 which follows in your Honor's book which is a letter from Pierre du Pont to Mr. Coleman du Pont, dated January 28, 1915.

[fol. 1857] (Said document, so offered and received in evidence, was marked du Pont Exhibit No. 15.)

[fol. 1858] Next, I offer du Pont Exhibit No. 16, which is a telegram from Coleman du Pont to Pierre du Pont, dated January 31, 1915:

"Dear Pierre:

"I am in receipt of your letter of January 28th—"

That is du Pont's Exhibit 15 just read, if your Honor please.

"in regard to disposing—"

and it so reads:

"disposing stock and am sending the answer through Lew in same mail."

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 16.)

Q. Did you ascertain from Mr. Lew Dunham, his secretary, Coleman's attitude towards this temporary pooling situation?

A. Yes, but not a very certain reply.

Q. In all events, it did not go through as you proposed?

A. It did not go through.

Q. Now, after that Kraftmeier incident, do you recall that you received another proposal from Mr. Coleman du Pont about selling all or some of his holdings in the du Pont Company?

A. Yes, I did.

Q. Was that proposal a proposal to the company, as the former one had been, or was it a proposal to somebody else?

A. It was a proposal or a statement that he was going to sell the stock. He sent his secretary to me to announce this, and said that he wanted the secretary to advise me of the situation that the stock was for sale.

Q. Did you have a conversation with the secretary?

A. I did, yes, sir.

[fol. 1859] Q. That was Mr. Dunham?

A. That was Mr. Dunham.

Q. Could you state the substance of that conversation as you now recall it?

A. Dunham's statement was that Coleman was about to sell 20,000 shares of his stock; that if he did not sell it in Wilmington, he was to go to New York to sell it; that he was willing to sell 40,000 shares, but would not sell an additional amount unless he went to Coleman for special permission to do so. I then asked him whether Coleman would sell all of his stock, and he said he did not know but would find out the situation. Coleman named a price to

Dunham, or to me, of \$200.00 a share for the stock. That was the proposition, and the mission that he had to fill. That was the result of the conversation.

Q. Then having said that to Dunham, did you get a report back of any kind from Dunham as to Coleman's reaction to that proposition?

A. Dunham made a report almost immediately; I think the next morning, and said that Coleman was willing to sell all of the stock, but he would not join in a pool—which was another question I had put up to Dunham—he would not join in a pool unless he knew what the pool was going to be; that he would sell his preferred stock also.

Q. What next followed after you got that report back?

A. Following that, I got in touch with my brother, Irene and my bother Lamot and John Raskob and R. R. M. Carpenter, my brother-in-law. They were my close associates in the business, and were always available to talk with, and I gathered them together immediately and reported the situation. That was the group that had recently come into the management, the younger people.

Q. The new Executive Committee?

A. That was the new group, yes.

[fol. 1860] Q. In September, 1914?

A. Yes, sir, that was the group.

Q. What did you say to them?

A. I told them the situation, what Coleman had said he would do about the proposition, and they all agreed that we would try to purchase the whole block of stock, not only as a good investment, but to make ourselves secure.

Q. Secure for what?

A. Secure against the stock getting into enemy hands at that particular time, and although Kraftmeier was not mentioned at this time, it was in my thought that Kraftmeier should not hear of any large block of stock passing from du Pont stockholders at that time. It was my idea that such a thing should not happen, but that was not discussed at the meeting.

Q. This conversation with Dunham was very shortly after your talk to Kraftmeier?

A. Yes. The Kraftmeier talk was in the latter part of January, and this was about the 20th of February.

Q. All right. Now, after having talked to that group



that you just mentioned as to whether they would be interested in joining with you, what next happened?

A. The next question was how such a purchase could be financed. John Raskob was asked to go to New York to see whether he could interest the bankers to make a loan which would enable us to put the proposition through.

Q. With what result?

A. With the result that he came back the next day and said that he could get a loan of the proper amount of money—I think it was about ten million dollars, on the stock, and that it was up to us to form a real proposition to the bankers on the subject.

[fol. 1861] Mr. Harlan: Now, at this point, if your Honor please, I would like to introduce some documents dealing with that chain of events. I start with du Pont No. 17 which is a letter from Coleman du Pont to Pierre du Pont, dated February 13, 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 17.)

By Mr. Harlan:

Q. You said Kraftmeier was in late January, 1915, is that right, Mr. du Pont?

A. That is right.

Mr. Harlan: (Reading):

“Dear Pierre:

“The more I have thought of the stock question the more I believe with what little information I have that the common stock should reach 250 and may reach 300. If this is true, the men who are now at the helm and actually doing things should make the profit as between today's figures and that figure; it will be by far the best thing that can happen to the Company. So clear I am that this is the right time to get them interested that I am willing, figuring as surely as I can that that stock will go much higher, to let go for the benefit of the men who are working, which, of course, means the benefit of the Company, 20,000, 30,000 or even 40,000 shares at today's market which I assume is about 200.

As to the details of working this out I am entirely willing to leave this to you and Lew."

I turn over, your Honor, to the top of the next page, the first paragraph:

[fol. 1862] "Of course, I am only using my best judgment in this matter, but I am willing and strongly urge that the heads of departments and younger members of the family become most interest in the common stock."

Next I offer du Pont Exhibit No. 18, which is a telegram from Dunham to Coleman du Pont, dated February 17, 1915:

"Wire me if you would be willing to sell forty thousand shares and pool balance for voting purpose. Another proposition would you be willing to sell entire holdings. Both cash."

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 18.)

By Mr. Harlan:

Q. Does that refer to the proposal that you made to Dunham?

A. That was the proposal, yes.

Q. And that proposal that he passed on to "pool balance for voting purpose," what was the reason for your making that suggestion?

A. In case that he elected to sell only a portion of his stock, that we would know that the rest of the stock was closely held by him in a pool.

Q. Did or did not the Kraftmeier incident have a bearing on the reason for this?

A. That was the reason I wrote that in.

Q. Any other reason?

A. I don't know of any other.

Mr. Harlan: Next I offer du Pont Exhibit No. 19, which is a letter dated February 20th, 1915 from Mr. Pierre du Pont to Coleman du Pont which confirms the exchange of telegrams between the two relatives to this offer, the proposed purchase, which, without reading, shows that the

[fol. 1863] original proposition of Mr. Pierre and his associates to buy the preferred stock at \$80.00 a share was unacceptable to Mr. Coleman, who said that the price should be \$85.00, which was accepted by the purchasing group; and that the original proposal of the purchasing group as to interest on the balance of the purchase price that would be paid on a deferred basis to Coleman du Pont of five percent was unacceptable to Mr. Coleman du Pont who wanted six percent, and the purchasing group took that change.

Next, I offer du Pont Exhibit No. 20, which is a telegram from Pierre du Pont to Coleman du Pont dated February 22, 1915, asking for a final word from Mr. Coleman du Pont as to whether the proposal outlined in the previous memorandum or letter, du Pont No. 19, was acceptable to Coleman.

I next offer du Pont No. 21, which is a telegram dated February 22 from Coleman to Pierre du Pont accepting the proposal as modified as to price and interest terms.

And finally, in this series, du Pont Exhibit No. 22 which, I am sure there will be no objection to my stating, is a hand-written memorandum in the handwriting of Mr. P. S. du Pont, Mr. Harsha.

Mr. Harsha: That is right.

Mr. Harlan: Which is indicated by the italics in the printing. This gives the course of the negotiations from their inception to the end as they have been testified to here in summary form and as the documents which I have put in show to have taken place.

(Said documents, so offered and received in evidence, were marked du Pont Exhibits Nos. 19, 20, 21 and 22.)

[fols. 1864-1865] Now, we have referred to the exploration that was made as to whether you could get a bank loan to finance this purchase. Do you recall about how much in dollars that purchase represented?

A. It was about almost \$14,000,000.00

Q. Almost \$14,000,000.00. Do you recall roughly how the payment of that purchase price was split as between the cash payment that would be made to Mr. Coleman du Pont and the deferred portion of the total purchase price?

A. It finally resulted in our paying \$8,000,000.00 in cash and five million nine in notes.

Q. The \$8,000,000.00 in cash that was paid to him, where did you get that from?

A. Through J. P. Morgan and Company, in New York.

Q. On a loan?

A. On a loan.

Q. Was there any vehicle formed to carry out the financing of this purchase?

A. Yes, a corporation was organized in order to accomplish the result.

Q. What was the name of the corporation?

A. It was originally Du Pont Securities Company, but the name was changed to Christiana Securities Company very shortly afterward.

Q. That was where Christiana comes into this lawsuit?

A. That is right.

Mr. Harlan: Now, I offer in evidence a tabulation which is du Pont Exhibit No. 24, which is a summary, and which has been submitted to the government, on the mechanics of the financing of this purchase through the du Pont Securities Company which we all the way through this case call Christiana.

[fol. 1866] (Said document, so offered and received in evidence, was marked du Pont Exhibit No. 24.)

By Mr. Harlan:

Q. Let me ask you first, Mr. du Pont, why did you form a corporation to handle this financing?

A. It was the only way of doing it, with a number of people having varying financial capacities; it required a corporation to do it. Something was required to bring them together in a unit, and that was the only thing to do.

Q. Now, this tabulation that has just been offered in evidence shows that of the 28,177 shares of du Pont stock that was needed to collateralize these obligations in connection with the purchase of Coleman's stock, that of that you supplied some 14,000 shares of that 28,000, or 50 per cent.

How did you get to that 50 per cent figure?

A. Well, we had to provide double that, and the other participants could not put up those entire shares. I said

I would take whatever the others didn't want, and that happened to come out to 50 per cent.

Q. Now, it is already in evidence through these letters, and I think you testified to the same thing, that when Coleman made this proposal that resulted in the purchase by you and this group of his common stockholdings and preferred stockholdings, that he wanted a substantial portion of that stock allocated among the executives of the du Pont Company.

A. That was in the original proposition, yes. It was not the one we have been talking about.

Q. Well, in his letter of February 13th, 1915, which is du Pont Exhibit No. 17, perhaps you will recall that he said he was willing to sell the stock, since the company wouldn't take it, for the benefit of the people who were active, and suggested that department heads and younger people in the company should get the allocations.

A. We knew of that letter, but it was not used in the whole transaction.

Q. I see. But did you take any steps to redistribute the Christiana stock to any of the other younger executives of the company?

A. Well, yes, we distributed it in equal amounts to the members of the Executive Committee, stock in the amount of—I think 1250 shares or 1500 shares—1250 shares each, to each one of the members of the Executive Committee and a like amount to the Chief Engineer of the company.

Mr. Harlan: Don't try to carry all of these names in your head here. I have got the schedule right here. [fol. 1868]. I now offer du Pont Exhibit No. 23, if your Honor please, which is a schedule showing how the Christiana stock or du Pont Securities stock was reallocated so as to give to the executives of the company 1250 shares of such stock each, except for a gentleman named Mr. Laffey at the bottom, who got 500 shares, and which further shows how Christiana stock for that purpose, a total of 11,750 shares, was contributed by the members of the original purchasing group. In other words, your Honor as an example, Lamont du Pont got 12,000 shares under the original distribution, or 16 per cent, representing the amount of the du Pont stock that he had contributed, his share of the



du Pont stock that he contributed to the needed collateral, and then out of that he contributed the same per cent, 16 per cent, to the total of 11,750 shares that was required for the purpose of reallocation to the younger executives, including himself, of course.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 23.)

I next offer du Pont Exhibit No. 25, which is the next in your Honor's book, which is a list of the members of the Executive Committee to whom this distribution of Christiana stock was made and gives their then positions in the company.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 25.)

By Mr. Harlan:

Q. Mr. du Pont, taking this list, Mr. Irene du Pont [fol. 1869] is your brother who was then on the Executive Committee as chairman?

A. Yes.

Q. Mr. H. Fletcher Brown—was he related to you in any way?

A. Not at all, no.

Q. Mr. R. R. M. Carpenter was your brother-in-law?

A. Yes, sir.

Q. And a member of the Executive Committee?

A. Right.

Q. Mr. William Coyne, who was he?

A. He was a member of the Executive Committee, not related to me.

Q. Lamot du Pont was your brother, and on the Executive Committee?

A. Right.

Q. Harry G. Haskell, who was he?

A. On the Executive Committee.

Q. A member of the du Pont family?

A. No, not related to me.

Q. John J. Raskob you have already described?

A. Yes.

Q. William G. Ramsay, who was he?

A. He was the Chief Engineer of the company.

Q. On the Executive Committee?

A. No, he was not.

Q. Was he a member of the du Pont family?

A. No, he was not.

Q. Mr. Frank G. Tallman, who was he?

A. He was head of the purchasing for the company.

Q. Was he a member of the du Pont family?

A. No.

Q. Then can you tell me why the figure 1250 shares is the amount of Christiana stock that was allocated, other than the 500 to Mr. Laffey? Why 1250 shares?

A. That corresponded to the 1500 shares that Coleman du Pont originally wanted to allot to the members of the Executive Committee in December.

Q. To put it a little differently, 1250 shares of Christiana was roughly the equivalent of 1500 shares of du Pont, [fol. 1870] is that right?

A. Or the other way about, I don't know which it was.

Q. All right, or the other way?

A. Yes.

Q. But what you were seeking to do, as I understand it, was to reach the 1500 figure of du Pont stock that Mr. Coleman du Pont had suggested?

A. Yes, that was the basis of it.

Mr. Harlan: In that connection, your Honor, you will find that specific suggestion made by Mr. Coleman du Pont in du Pont Exhibit No. 4, where he says that he thinks each member of the Executive Committee ought to have 1500 shares of du Pont stock.

By Mr. Harlan:

Q. Now, as to Laffey, what was Laffey's position in the company?

A. He was Chief Counsel of the company.

Q. Your inside counsel, so-called, General Counsel of the company?

A. Yes.

Q. On what basis was the 500 shares figured as his share of the redistribution?

A. I don't remember if there was any basis at all.

Q. Why was Christiana stock rather than du Pont stock distributed to these members of the Executive Committee?

A. Well, it was the purchasing company. That brought the group together more intimately.

Q. Was there any du Pont stock that wasn't in hock or pledged with the banks or as collateral for the deferred balance of Coleman's payment?

A. No, there wasn't. That stock was being used. The individual members of the group would have to put it up.

Q. Then the Christiana stock, therefore, which represented [fol. 1871] the du Pont stock was used as the stock that was distributed to these executives, is that right?

A. That is right. It also put the members of the Executive Committee in a similar position to those who had gone into the proposition, since the stock was subject to the payment of the notes of the Christiana Company.

Mr. Harlan: Now, I next offer as du Pont Exhibit No. 26, if your Honor please, a copy of the agreement dated March 19, 1915 which these members of the Executive Committee and other distributees in the company of this Christiana stock signed in connection with the receipt of that stock.

(Said document so offered and received in evidence was thereupon marked du Pont Exhibit No: 26.)

Mr. Harlan: This is a typical incentive agreement where they obligated themselves to stay with the company for a certain period of time.

One thing I forgot to ask you, is it not a fact that A. Felix du Pont was a member of the original purchasing group?

By the Witness:

A. Yes.

By Mr. Harlan:

Q. He was not on the Executive Committee at that time, was he?

A. No.

Q. What position, do you recall, or what department was he working in the du Pont Company?

A. Military Explosives.

[fol. 1872] Q. That was an important position in the company?

A. Very important, yes.

Q. Not being a member of the Executive Committee, did he share in this redistribution of Christiana stock that was made to the members of the Executive Committee?

A. I think he did not.

Mr. Harlan: The record shows that he did not.

By Mr. Harlan:

Q. Referring to du Pont Exhibit No. 17, already marked in evidence, which relates to this offer of Coleman's that culminated in your and the others' purchase of his stock, he says this:

"Of course I am only using my best judgment in this matter, but I am willing and strongly urge that the heads of departments and younger members of the family become most interested in the common stock."

Did you make any offer to the younger members of the family?

A. Yes, I did.

Q. Of Christiana stock following the transaction that we have just discussed?

A. Yes, I did make such an offer to all of them.

Q. Why was that done?

A. That was in accordance with Coleman's expressed opinion and with which I agreed heartily.

Mr. Harlan: Now, I offer, if your Honor please, du Pont Exhibit No. 27, which is a letter from P. S. du Pont to some twelve members of the family, offering to exchange Christiana stock for du Pont stock on the basis indicated in the [fol. 1873] third paragraph of the letter, 500 shares of du Pont Securities stock to be delivered for 223 shares of common stock of du Pont.

(Said document so offered and received in evidence was thereupon marked du Pont Exhibit No. 27.)

By Mr. Harlan:

Q. Who made that offer to exchange to these members? Was it Christiana or du Pont Securities, or who was it?

A. I made it myself.

Q. Personally?

A. Personally, yes.

Q. And as a result of the offer and its acceptance, to the extent that it was accepted, what effect did the exchange by those members of the family of du Pont stock have upon the theretofore existing holdings of du Pont stock by du Pont Securities Company?

A. It had no effect. I exchanged my Christiana Securities stock which I had already received, for du Pont stock which they offered on the same basis as I originally went in.

Q. And you did not put any of that du Pont stock you received into Christiana?

A. No, that was not part of what I put into Christiana.

Q. This figure that you propose here in this letter of exchanging 500 shares of du Pont Securities stock for 223 shares of du Pont common stock, what did that basis of exchange represent? How did you reach that basis?

A. It was the same relation to Christiana as my subscription to Christiana and du Pont stock had been. They were placed on an equal footing right away. For every share [fols. 1874-1875] of Christiana they received, they put in the same amount of du Pont stock as I had done.

Q. And as the other members of the purchasing group had put in?

A. That is, right, yes.

Q. Mr. du Pont, referring back to du Pont Exhibit No. 24, which contains the figures as to how the Coleman purchase was financed, it appears that you put in 14,089 shares out of the 28,177 shares of the needed collateral?

A. That is right, yes. That is 50 per cent of the whole.

Q. Did that represent all of the du Pont stock that you held at the time?

A. No, it did not, about half.

Q. Can you recall roughly about how much du Pont stock you held after this 14,000 odd shares had gone into Christiana for the purposes mentioned?

A. About the same amount. Maybe a little less.

Q. You mean you held about what?



A. About 12,000 shares, I think.

Q. You had left?

A. Yes.

[fol. 1876] By Mr. Harlan:

Q. Mr. du Pont, at the time that Christiana was formed, was any du Pont stock put into Christiana other than the stock purchased from Mr. Coleman du Pont, plus the du Pont stock that was put in by the members of the purchasing group to supply the needed additional collateral?

A. There was no other stock.

Q. Now, I refer to paragraph 33 of Government's amended complaint which states that following the formation of Christiana "thereafter most of the common stock which the defendant individuals and members of the du Pont family held in du Pont Company was turned over to Christiana in exchange for its stock to prevent dispersal of such du Pont Company stock and to insure the perpetuation by such individual defendants and members of the du Pont family of their control over the du Pont Company."

You testified yesterday that after having put into Christiana your share of the additional du Pont stock required for collateral that you still retained in your own portfolio some 12,000 shares of du Pont stock?

A. Yes, I did.

Q. Did you ever put any of that stock into Christiana?

A. I did not.

[fol. 1877] Mr. Harlan: Will the government stipulate that all of Christiana's holdings of du Pont stock trace substantially, with minor purchases that are shown on the schedule in evidence, from the original Coleman transaction?

Mr. Harsha: We will so stipulate.

Mr. Harlan: Thank you. In that connection I refer to Government's Exhibit 1219 which confirms that stipulation.

By Mr. Harlan:

Q. I next turn to paragraph 34 of the Government's amended complaint where it is alleged as follows:

"It was understood and agreed among the individual defendants and members of the du Pont family who held Christiana stock that they would continue to hold

it, would keep it within their families, and would not dispose of it to outsiders so that either directly or through their families such defendants would maintain control of a majority of the stock of Christiana, and through such holdings maintain control of the du Pont Company."

At the time that Christiana was formed, Mr. du Pont, was any agreement or understanding made between you and the other family members of the purchasing syndicate as to the disposition in their hands of the Christiana stock?

A. There was no agreement.

Q. Has there ever been any such agreement or understanding between you and any of the subsequent family holders of Christiana stock?

A. None.

Q. Have you ever suggested, directed or attempted to dissuade any family holders of Christiana stock from doing [fol. 1878] with that stock as they pleased?

A. I remember no such occasion.

Q. What has been your own state of mind as to your freedom to deal with the Christiana stock that you yourself had?

A. I felt free to deal as I pleased, and I have done so also.

Q. Without consultation or reference to any other member of the du Pont family?

A. That is correct.

Q. Do you recall an occasion in 1921 when you transferred certain shares of Christiana stock to members of the Executive Committee of the du Pont Company?

A. I remember it, yes.

Q. Will you please state the circumstances under which that was done?

A. Those executives had purchased du Pont common stock through the instrumentality of the du Pont Company. The du Pont Company purchased the stock from me and sold it to the executives on reasonable terms of payment. After that the stock fell in value very much, and the men who held it were very much worried about their investment, and at that time I turned over to each one of them 400 shares, I think it was, of Christiana com-

mon stock to support their loans to the du Pont Company, and that became their property thereafter. I had a right to redeem it later, but I never did.

Mr. Harlan: Your Honor, I find the acoustics much better with Mr. du Pont sitting where he is. Is it satisfactory to your Honor?

The Court: Yes, I hear much better than I did yesterday.

Mr. Harlan: I now offer du Pont Exhibit No. 28, your Honor, and it ought to be in Volume 1 of your looseleaf book.

[fol. 1879] The Court: What is the number, please?

Mr. Harlan: du Pont No. 28, sir.

The Court: I have it.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 28.)

Mr. Harlan: (Continuing) Which is a list of the members of the Executive Committee to whom Mr. du Pont transferred, in 1921, certain shares of Christiana stock, as he has just testified.

By Mr. Harlan:

Q. Do you recall the number of shares of Christiana stock you transferred to each executive or committee member?

A. It was 400 shares, I think.

Q. Now, referring to that list, one of the members is F. Donaldson Brown. Is he a member of the du Pont family or was he a member of the du Pont family, as that term is used in the amended complaint?

A. He was not.

Q. The second one is W. S. Carpenter, Jr. Was he a member of the du Pont family as that term is used in the complaint?

A. He was not.

Q. A. Felix du Pont, was he a member of the du Pont family as defined in the complaint?

A. He was, I believe.

Q. Well, he was a cousin of yours?

A. Yes.

Q. And do you understand that the members of the du Pont family as presently defined in the complaint, as distinguished from the original complaint, are simply that

group of the du Pont family who are your brothers and sisters or the descendants of your brothers and sisters?

A. I did not understand it that way. I thought you meant—

[fol. 1880] Q. And A. Felix does not fall into that definition in the Government's complaint?

A. He is a cousin.

Q. Lammot du Pont was your brother?

A. Yes.

Q. By the way, when did Mr. Lammot du Pont die?

A. The latter part of last year.

Q. The fourth member is J. B. D. Edge. Was he a member of the du Pont family as defined in the complaint?

A. No, he was not.

Q. The next is C. A. Meade. What about him?

A. He was not a member of the du Pont family.

Q. The next is C. A. Patterson. What about him?

A. He was not a member of the du Pont family.

Q. The next is F. W. Pickard.

A. He was not a member of the du Pont family.

Q. And the last one is W. C. Spruance.

A. He was not a member of the du Pont family.

Q. Before you turned over this Christiana stock for the purposes for which you have testified to, did you consult or get the permission of any members of the so-called purchasing group of the Christiana Securities Company?

A. I believe my brother Irene knew about it, but I am not certain of that even. But I didn't consult him as to whether I had the right to do it.

Q. You did not?

A. No.

Q. Now, you have stated that you have felt free to deal with your Christiana stock as you pleased, and that you have done so. Will you state to the Court what the considerations have been that have affected your decision or judgment as to disposing of Christiana stock or as to holding on to it?

Mr. Harsha: I object to that question, your Honor. It calls for the mental condition of the witness.

[fol. 1881] The Court Overruled.

By Mr. Harlan:

Q. Do you understand the question?

A. No, I don't understand it.

Q. I would like to have you tell his Honor, in deciding whether you would retain your Christiana stock or dispose of it, what have been the factors that you have taken into consideration that let you take one conclusion or the other?

A. I am afraid I don't understand how to answer such a question.

Q. All right. You have disposed of certain Christiana stock, you say?

A. Yes.

Q. And you have held on to the other Christiana stock?

A. Yes.

Q. Now, why is it you have held on to the latter Christiana stock and that you have disposed of the stock that you have disposed of?

A. I really don't know, excepting the whim of the moment.

The Court: Will you read the answer?

(Answer read.)

Q. No particular considerations—

The Court: Read the answer, please.

(Record read.)

By Mr. Harlan:

Q. What has been the situation with respect to the marketability of Christiana stock? Has it been a wide market or a thin market?

A. A very narrow market.

Q. Do you know what Christiana stock is quoted at today [fol. 1882] by any chance?

A. I think it is about \$6,500 a share.

Q. Have you on various occasions had under consideration disposing of some of your Christiana stock and then concluded not to?

A. Yes. I have disposed of most of it.

Q. You have disposed of most of it?



A. Yes.

Q. You disposed of a block of it to Delaware, did you not?

A. Yes.

Q. And beyond that, have you disposed of other Christiana stocks?

A. Yes. I started several trusts which contain Christiana stock.

Mr. Harlan: I offer as the next exhibit, if your Honor please, du Pont Exhibit No. 29, which is a letter on the letterhead of Laird, Bissell & Meeds, dated July 9, 1937, signed George.

I believe it is George Weymouth of the Laird firm, is that right?

Mr. Harsha: If you say so, I will take your word for it.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 29.)

Mr. Harlan: This is addressed to Lamot du Pont, dated July 9, 1937, the first paragraph reading:

"For the past three weeks I have made a concentrated drive to sell a large block of Christiana Securities common stock in whole or in part. It occurred to me that in view of your interest in the company, it might be of interest to you to know the results of these efforts, together with the reactions and comments of the people interviewed."

[fol. 1883] Then your Honor will see that among those whose views were canvassed by Mr. Weymouth as to their attitude towards purchasing Christiana stock were Mr. Scott of the Finance Committee of the University of Virginia; Mr. Shattuck, of Harvard University; Mr. Cox of the Old Colony Trust Company, who was in charge of the investments of funds in the Massachusetts Institute of Technology; and the Comptroller of Yale University.

On the second page, without reading it, you will see the results of those interviews as to the difficulty of disposing of that stock to institutions of that kind.

Next I offer du Pont Exhibit No. 30, which is a letter dated August 9, 1937, to Mr. Charles S. Mott, from Mr. Pierre du Pont.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 30.)

The third and fourth paragraphs of du Pont Exhibit 30 read:

"The Christiana Securities Company common stock has varied from 75 to 80% of the break-down value—"

By Mr. Harlan:

Q. What is meant by the "break-down value"?

A. Its equivalent in du Pont Company stock.

Q. That is the underlying du Pont Company stock which Christiana held?

A. Yes.

Mr. Harlan: (Continuing)

"—common stock has varied from 75 to 80% of the break-down value of the stock as expressed in the value [fol. 1884] of du Pont shares. However, the Government does not accept this as values made for the purpose of taxation. Since receipt of your letter this week, I have learned of a tentative offer of 73% of the break-down value for 600 shares of the common stock.

"I have been contemplating sale of part of my holdings of Christiana Securities Company in order to obtain cash for other purposes, but I feel doubtful about the wisdom of going as low as 73% or even 75%."

Next, if your Honor please, I offer du Pont Exhibit No. 31, which is a letter from a gentleman named Cecil Backus of Laird, Bissell & Meeds, dated October 23, 1939, to Mr. Pierre du Pont, which contains a proposal for marketing Christiana stock.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 31.)

Mr. Harlan: The third and fourth paragraphs of that exhibit I would like to read:

"As mentioned in our letter of the 6th, we refrained from making some sales on a 77% basis, as the du Pont market broke down to 176½. We subsequently received

instructions on October 9th to sell Christiana so long as du Pont did not go below 173.

"It has been our experience that as du Pont advances it becomes more difficult to sell Christiana above 75% of break-up."

Then follows a suggested formula on the basis of which [fol. 1885] he suggests that blocks of Christiana might be disposed of at a discount.

Now I want to turn to another set—

Mr. Harsha: Counsel, may I interrupt for just a second? I was wondering if you were going to read the first paragraph on page 2? If not, we would like it read at this time.

Mr. Harlan: I would be glad to have you do so.

Mr. Harsha: Turning to the second page, it continues:

"Our suggestion is as follows:

"Disregard General Motors market changes and fractional changes in the price of du Pont."

That is all we propose to read.

Mr. Harlan: Now, if your Honor please, I want to turn to another aspect of the Government's charge; that is, the charge that relates to Delaware, the formation of Delaware and its continuation which is charged in the complaint as being part of this alleged conspiracy to violate the Sherman Act.

I want to develop through Mr. du Pont the circumstances under which that corporation was formed as I have done with Christiana.

By Mr. Harlan:

Q. When did you retire from the presidency of the du Pont Company, Mr. du Pont?

A. The year 1919.

Q. You had been president since 1915?

A. That is right.

Q. By the way, since that time have you occupied any position in the du Pont Company in the active management? [fol. 1886] A. No, I have been Chairman of the Board but nothing else.

Q. Your positions as a member of the Board and a member of the Finance Committee are already scheduled,

but you have occupied no active position in the active management of the company since your retirement as president in 1919?

A. No, I have not.

Q. Is that right?

A. That is right.

Q. At the time you resigned as president in 1919, did you give any consideration to your personal affairs, and particularly as to what disposition you proposed to make of some of your large holdings?

A. Yes, I did.

Q. That consideration at that time, did it reach any conclusion or was it interrupted?

A. The first conclusions I had were seriously interrupted by the General Motors troubles.

Q. When you refer to the General Motors troubles what do you mean?

A. The failure of Mr. Durant and my taking the presidency of General Motors.

Mr. Harlan: By the way, at that point, in looking over the record last night, due to a rather inartistic question that I asked, it might appear, on page 3243, that there was some intended denial by Mr. du Pont that he had ever been connected with General Motors, where I was going over the history of his connection with the du Pont Company.

Of course, no such thing was intended either by my question or the answer. We not only recognize and admit that, but assert his connection with the General Motors Corporation.

[fol. 1887] By Mr. Harlan:

Q. Now, as we will develop later, you remained president of General Motors how long?

A. About two and a half years, at least.

Q. And following your resignation as president of General Motors, did you give any attention to your personal affairs, and particularly what disposition should be made of your holdings?

A. Yes, I did. I had time and opportunity to take action then.

Q. Will you please state as fully as you can, beginning with that period, what the train of events were and what

the considerations were that resulted in the formation of Delaware Realty & Investment Corporation in 1924?

A. The whole thing started with my desire to make provisions in my estate for the future, not only during my lifetime but afterward.

I decided that an annuity for the benefit of myself and wife would be a prudent thing to take out. I had quite large ideas of how much it should be because I wanted it commensurate with my income.

I found that no such annuity could be taken out. The companies that wrote annuities could not furnish an annuity large enough for my purposes. They also required that the securities be sold in order to reinvest in proper securities for annuities, as generally written by the annuity companies.

This meant a serious depreciation in the value of my estate—typically, disposing of the stock in the first place; and second, a loss of the income in the future.

It was after I had decided to do that, and failed, that two of my brothers-in-law came to me with a proposition to issue an annuity.

[fol. 1888] Q. Who were they?

A. Irene and R. R. M. Carpenter. They represented themselves as acting for my other brothers and sisters, whether all of them or not, I didn't know at the time, but their proposition was to use a small company that Laird had, as a means of issuing the annuity, which they proposed to do on very attractive terms as far as income was concerned. They wished to take the securities for the future benefit and would use the income of the securities as a basis for the annuity, which meant that they considered the likely income at about five and one-half percent over a period of years while the regular annuity companies would not allow more than two or three percent, and would therefore require a larger volume of securities. That proposition promptly developed into the Delaware Realty Company. It was a real estate company originally. That is how the name came about, but they used it entirely for the placing of the annuity. We then organized the company, or they did, and the securities were turned over to it under the annuity contract, and it was an annuity for our lives.

Q. What was the amount of the annuity?



A. \$900,000.00 a year.

Q. As to the stock of the Delaware Realty & Investment Company, and the setup that you have referred to, what became of that?

A. The stock of what?

Q. Of the company that granted the annuity, the Delaware Company?

A. That belonged to the people who organized the plan. I had nothing to do with that, of course, and I didn't receive any of it, and I was given no notice of who did receive it at the time.

Q. Did you know that the organizers of the company, or the proposers of this plan arranged for the securities [fol. 1889] to pass to your brothers and sisters or the spouses of deceased brothers and sisters?

A. Yes, sir, I knew that in a general way. I didn't know the exact division.

Q. Did you know what the subscribers to that stock were going to do with it?

A. The stock of the Delaware Realty?

Q. The stock of Delaware.

A. No, I didn't.

Q. You did not know that?

A. No.

Mr. Harlan: Now, I offer at this time, if your Honor please, du Pont No. 32, which is a letter dated May 22, 1924, from John M. Clayton on the letterhead of the Equitable Life Assurance Society to Mr. F. A. McHugh, dated May 22, 1924.

By Mr. Harlan:

Q. Who was Mr. F. A. McHugh?

A. He was my secretary.

Mr. Harlan: And without reading all of the letter, your Honor will see that the letter sets forth various information in connection with annuities.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 32.)

Q. By the way, Mr. du Pont, do you happen to recall, at the time of this setting up of Delaware and the granting of the annuity, whether from the standpoint of income

taxes, there was any advantage to you in providing for an annuity as the source of income?

A. There was quite an advantage.

Q. What was it?

A. The income on an annuity was not taxable as regular income in those days.

[fol. 1890] Mr. Harlan: In that connection, your Honor, I refer to page 3 of this letter in which Mr. Clayton says, in the last paragraph:

“For Income Tax purposes, Annuity Payments are not taxed until the payments to the annuitant exceed the price paid for the annuity. There are other special forms of annuities issued by the Society, an outline of which we would be glad to send you, if you are interested.”

That, I might say, is a provision of the law that no longer exists.

Next, I offer du Pont No. 33, which is a formal offer from Delaware Realty & Investment Company to Pierre S. du Pont, dated May 30, 1924, relating to the granting of an annuity for the lives of Mr. du Pont and Mrs. du Pont of \$900,000.00 in consideration of the transfer of the list of securities set forth in that letter.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 33.)

Mr. Harlan: Next I offer du Pont Exhibit 34, which is a copy of the annuity contract between Delaware Realty and Mr. and Mrs. du Pont, dated May 31, 1924, and I call your Honor's attention particularly to the table of annuity values that are set forth on the last page before the acknowledgment to that contract.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 34.)

Mr. Harlan: Next, if your Honor please, I offer du Pont [fols. 1891-1893] No. 35, which is a letter from Mr. Pierre du Pont to Mr. Paul Belin, dated June 12, 1924, which is a short period of time after the formation of Delaware for this annuity transaction, which I would like to read.

By Mr. Harlan:

Q. Who was Mr. Paul B. Belin?

A. My brother-in-law.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 35.)

[fol. 1894] Q. Now, Mr. du Pont, I hand you what has been marked Government's Trial Exhibit 92, which is an unsigned memorandum, and ask you whether that memorandum ever came to your attention prior to the commencement of this litigation, after we started to prepare this case for trial?

A. I have read it recently. I had not known it before the last few months.

Mr. Harlan: In connection with that unsigned memorandum, if your Honor please, I offer du Pont No. 36, which should be in your Honor's book.

The Court: I have it.

Mr. Harlan: And I think it should state the purpose of this offer. If your Honor will turn to the second page, you will see there in italics, which means that the original is in handwriting, a letter dated December 9, 1924, on the letter-head of Charles Copeland to Dear Rod.

[fol. 1895] By Mr. Harlan:

Q. That is Rodney Sharp, I suppose?

A. That is right.

Q. Nobody else is called Rod?

A. No, sir.

Q. In which Mr. Copeland—was Mr. Copeland called Bob?

A. Yes.

Q. In which Mr. Copeland refers to this memorandum, and says:

"It has seemed to me that in connection with the offer to Pierre to make the annuity arrangements we should have in our file some definite reasons for such action; one that could be understood by the Revenue Agent when the returns are audited. I have submitted the enclosed to Winder—"

Q. That is Winder Laird, I suppose?

A. That is Winder Laird, my brother-in-law.

Q. There is no other Winder?

A. No other Winder, no, sir.

Mr. Harlan: (Reading):

"—suggesting that it might be adopted by The Board or some similar paper, if you prefer—and made a part of our minutes. Will you please read it over and use your pencil freely. I have not discussed it with Richards as I wanted the idea of the crowd first. My references to P. S. may seem a little flowery, but I put them in to emphasize the point."

Then, if your Honor will turn to the first page, you will see Mr. Richard's letter to Mr. Copeland in which he acknowledged receipt of the memorandum.

[fol. 1896] Mr. Richards was at that time the senior partner of the law firm of Richards, Layton and Finger, as it is now called.

Q. Do you recall any meeting of the Delaware Realty & Investment Corporation where the unsigned memorandum you just looked at was brought before the meeting and discussed?

A. I never attended a meeting of the Delaware Realty & Investment Company.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 36.)

Mr. Harlan: Now, if your Honor please, turning to another aspect of the Government charges with respect to Delaware, which they claim was formed to obtain captive markets in General Motors, it is alleged in 35, paragraph 35 of the amended Complaint:

"It was understood and agreed among the defendant individuals and members of the du Pont family who held Delaware stock that they would hold it for themselves and the members of their families, so that control of Defendant Delaware would remain in perpetuity in the hands of the defendant individuals and certain of the members of the du Pont family."

Q. In your discussions with your brothers and your brothers-in-law with respect to the formation of Delaware, did you impose any condition as to the retention of the Delaware stock in the hands of its recipients?

A. No, sir, I did not. They were free to sell and do as they pleased.

Q. Did you ever discuss that question with any of them?

A. No, not to my recollection.

Q. Have you ever had any understanding or arrangement [fol. 1897] between the subsequent holders of the Delaware stock and yourself limiting in any way the complete freedom of action on the part of those holders to do as they wished with the Delaware stock?

A. No, I had no conversation and I had no right to impose such a condition.

Q. Have you ever sought to dissuade or persuade the holders of the Delaware stock not to dispose of the Delaware stock?

A. No, I have not.

Q. Have you ever had any understanding or agreement with any of the holders of Delaware stock as to how that stock should be voted?

A. No, I did not.

Q. I think you said you never attended a meeting of Delaware Realty Corporation.

A. I never did, no.

Q. Have you ever sought to direct or persuade or influence any holder of Delaware stock as to how he or she should vote that stock?

A. No, they were perfectly free to vote as they chose, and I never questioned them about it.

Q. I omitted to ask you this in connection with Christiana; have you ever had any arrangement or understanding with other holders of Christiana stock as to how they should vote their Christiana stock?

A. No.

Q. Or how they should vote their Christiana stock at any stockholders' meeting?

A. No agreement at all.

Q. Have you ever sought to persuade or influence any holder of Christiana stock to vote or refrain from voting his particular stock in a particular way?



A. No, I have not.

Mr. Harlan: Will the government be willing to stipulate that the holdings of Christiana stock by Delaware Realty & Investment Corporation all represent the Christiana stock that went into Delaware in connection with the annuity [fol. 1898] transaction, and that no other Christiana stock has at any other time gone in there?

Mr. Harsha: We will so stipulate.

Mr. Harlan: And will you stipulate the same with reference to portions of the Delaware holdings that represent du Pont stock?

Mr. Harsha: I will have to check on that, Mr. Harlan.

Mr. Harlan: That is perfectly all right. In the meantime, I make that as an assertion of fact, that there are no holdings of du Pont stock other than those that derive from the du Pont stock that went into Delaware in connection with the original transaction, except possibly an odd purchase in small amount, and I refer in that connection to Government's Exhibit 1217-A.

And then, if your Honor please, I simply call attention to the provisions of the annuity contract which is du Pont Exhibit No. 34, and point out that there is no restriction in the annuity contract limiting in any way Delaware's right to dispose of the Christiana or du Pont stock, if it so pleased, the only provision being that Delaware obligates itself, obligates itself, to protect the annuity by always maintaining a reserve fund of, I think, 30 per cent of the value of the unexpired term of the annuity.

And now, at this point, with your Honor's permission, I will ask Mr. Pierre to step down and continue the development of the defense on these issues through Mr. Irene du Pont, it being understood that Mr. Pierre du Pont will return later and ultimately for cross examination.

(Witness temporarily withdrawn.)

[fol. 1899] Mr. Harlan: Mr. Irene du Pont.

IRENEE DU PONT, called as a witness on behalf of the Defendants, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Harlan:

Q. Mr. du Pont, you are one of the individual defendants in this lawsuit?

A. I am.

Q. And you are the brother of Pierre du Pont and of the late Lammont du Pont?

A. I am.

Q. What was the date of your birth?

A. December 21, 1876.

Q. So you are now in your 37th year?

A. Yes.

Q. How long have you been a resident of Delaware?

A. I assume that while at college I was a resident of Delaware. I think I maintained my residence in Delaware for the four years I was in Newark, New Jersey. I was working outside of the State. With those allowances I have been a resident of Delaware since 1882—no, 1892.

Q. From what college did you graduate?

A. M.I.T., Massachusetts Institute of Technology.

Q. What year did you graduate?

A. 1897.

Q. Did you receive a degree or degrees from M.I.T.?

A. I received the degree of Bachelor of Science in 1897 and a Master's Degree in 1898.

Q. In what subject was your Master's Degree?

A. Chemical Engineering.

Q. After you graduated from M.I.T., what was the first [fol. 1900] job that you went to work at?

A. Pusey & Jones Machine Shop.

Q. Without going into detail, what was the nature of that job?

A. The equivalent of being an apprentice.

Q. What was your salary?

A. \$2 a week.

Q. What was the next job that you had following that with Pusey & Jones?

A. I went to Hay Foundry & Machine Company, Newark, New Jersey.

Q. Without going into detail, what was the nature of that job?

A. I was a draftsman for the first two weeks, and I checked after that.

Q. What did you get for that?

A. I checked the drawings of other people.

Q. What salary did you get for that job?

A. \$12. And raised to \$15.

Q. A week?

A. Dollars a week.

Q. Following that, did you hold another job?

A. I was secretary and treasurer of a small contracting company in Newark.

Q. What was the name of that?

A. Manufacturers Contracting Company.

Q. Where was this business located?

A. Newark, New Jersey.

Q. How long did you remain with that connection?

A. About four years.

Q. That would carry it up until about when?

A. 1903.

Q. Then what did you do?

A. I went down to the du Pont Company.

Q. And got a job?

A. I did.

Q. What job was it that you first held with the du Pont Company?

A. I was in charge of the construction of the Black Powder Department.

[fol. 1901] Q. What was your salary in that job, if you remember?

A. Well, I am afraid I can't remember. It was of the order of \$150 a month.

Mr. Harlan: Now I offer, if your Honor please, du Pont Exhibit No. 66, which is still in Volume I.

This is a schedule of the positions held by Mr. Irene du Pont at various times in the du Pont Company and its predecessor companies.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 66.)

By Mr. Harlan:

Q. I see from this schedule, Mr. du Pont, that you were president of the du Pont Company, the present company, from sometime in 1919 to sometime in 1926, is that right?

A. That is correct.

Q. You having succeeded your brother, Pierre, in that position?

A. I did.

Q. When did you first become a stockholder in the du Pont Company or the predecessor companies of this company?

A. When I moved from Newark, New Jersey; the du Pont Company purchased Manufacturers Contracting Company, and I automatically went with it.

Q. That would have been 1900—

A. 1903, I believe.

Q. And your stockholdings in du Pont Company would have been holdings in the so-called 1902 company, is that right?

A. I don't recall.

Q. Were you ever a member of the original du Pont partnership that you heard Mr. Pierre testify about yesterday?

A. No, sir.

[fol. 1902] Q. Or were you ever a holder of stock in the 1899 company which succeeded that partnership?

A. I did not. I never owned any.

Q. Have you read the complaint in this lawsuit?

A. I have.

Q. Are you aware that you and your brother are being charged with a conspiracy to violate the Sherman Act and anti-trust laws?

A. I am aware of that.

Q. Are you familiar with the nature of those charges?

A. Some of them sound fantastic.

Q. Are the charges true or false?

A. False.

Q. Your deposition was also taken, was it not, at a stage in this case in, I believe, November and December of 1951?

A. That is correct.

Q. What has been your intention throughout as to your desire to appear before his Honor in person to testify orally at this trial?

A. I desired to testify personally.

Q. You were one of the members of the purchasing group, original purchasing group, of the Coleman stock which resulted in the formation of Christiana, were you (not)?

A. I was.

Q. Will you state to the Court, as fully as you can, in your own words, the circumstances under which you became a member of that group and a holder of Christiana stock as a result?

A. For some time before the purchase, I was quite anxious to increase and get a reasonable interest in the du Pont Company. With two or three others of the younger group, I wrote to T. Coleman du Pont, asking whether he would be willing to sell us a considerable block. This was in May of 1914—it may have been April. It was the spring of 1914.

I did not get a reply to that. Later I heard that Coleman [fol. 1903] made some sort of an offer to the Finance Committee to interest younger men in the du Pont Company, and I of course heard rumors from time to time about it, that is, not rumors but words from Pierre that he was working on it.

When Pierre called us in and said Coleman's stock could be bought and did I want a share in the purchase, I said, "Yes." He said, "How much?"

I said, "How much can I have?"

He said, "Anything you want." Then he explained the plan which they had.

I felt that by buying, roughly, one seventh of it, I could swing it without endangering my wife's and children's support because I considered it as a speculation, one which I could help make a success of.

Q. Without going into the details or unnecessarily traversing ground that we have already traversed, you put in, in connection with that purchase, certain du Pont stock to supply your share of the additional collateral required to purchase the Coleman stock?

A. I did.

Q. And the record shows that you put in 4508 shares as your share of the collateral?

A. I remember it was about that much I put in. I furnished a statement to you showing exactly what it was. I have no doubt that is the exact figure.



Q. Did that represent all of the du Pont stock that you then had in your portfolio?

A. No, sir.

Q. You retained some additional stock?

A. I did.

Q. Was that additional stock, or any of it, ever put into Christiana?

A. It was not.

Q. At the time that Pierre came to you and offered you the opportunity to participate with him and others in [fol. 1904] the purchase of Coleman's stock, what position did you hold in the du Pont Company?

A. I was Chairman of the Executive Committee, which was formed the latter part of 1914 or early 1915.

Mr. Harlan: At this point, if your Honor please, I would like to offer du Pont Exhibit No. 67, which would be in the first volume, which is a letter from Irénée du Pont, A. Felix du Pont, Laminot du Pont, and R. R. M. Carpenter, to T. C. du Pont, dated May 14, 1914.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 67.)

By Mr. Harlan:

Q. Before I read this, do you recognize that as the letter that you referred to as having written in the spring of 1914 to T. C. du Pont inquiring as to the availability of the stock?

A. I have no doubt that is what it is, but you haven't showed it to me.

Q. Good enough. I will do so.

A. I have no doubt that that is a copy of it.

Mr. Harlan: This I would like to read, your Honor.

(Said du Pont Exhibit No. 67 was thereupon read to the Court.)

By Mr. Harlan:

Q. Do you recall that following the formation of Christiana—can you hear me all right?

A. Yes, sir.

Q. Do you recall that following the formation of Chris-

tiana, a re-distribution of the Christiana stock that had been received by the original purchasing group was made? [fol. 1905] A. That was after the formation of Christiana, not before.

Q. I intended to say after.

A. I may have misunderstood.

Q. Do you recall that episode?

A. Yes, I remember that very well.

Q. Will you state as fully as you can what was done and why it was done in that connection?

A. The idea was to interest principal men in the company as owners in the company. Coleman du Pont, I mean, was a firm believer that owner-management is superior to hired management.

I was convinced of that before that, and had discussed it with Coleman ad lib. I pointed out that Mr. Carnegie did it and it worked. Mr. J. B. Duke did it, and it worked, and it seemed to have worked very well when he and Alfred and Pierre bought out the old company because they were the newcomers then.

What was the rest of the question?

Q. So what was done?

A. We each chipped in as our contribution a percentage which would yield to handing out to the men of the Executive Committee 1250 shares each of Christiana stock. They had one string tied to it. They would not either leave the company or sell it for a period of one or three years, a short period, I have forgotten exactly. The contract will speak for itself.

Q. That was a written contract which is already in evidence. I don't need to refer to that.

A. There was one, I know. I suppose you have it.

Q. Now it is charged in this case that at the time that Christiana was formed and subsequently thereto, there have been arrangements or agreements or understandings of [fol. 1906] some kind between the Christiana stockholders that they would not dispose of their Christiana holdings outside the family. Do you know of any such arrangement, agreement or understanding?

A. I know there was no such agreement. As a matter of fact, if there was, I broke it pretty/nearly in the day because I did sell quite a little and I gave away a great deal without any control over it.

Mr. Harlan: In that connection, if your Honor please, I refer to Government Trial Exhibit No. 52, this being a Government exhibit which is a schedule of Mr. Irene du Pont's holdings in Christiana stock from the inception of Christiana and down to date, or at least down to June 30, 1949, more accurately speaking.

This shows that ~~excluding~~ the shares of Christiana that were utilized and contributed by him as a member of the original purchasing group for this redistribution to Executive Committee members of the du Pont Company, excluding those, there have been a total of 15,352 shares of Christiana stock disposed of by him, of which 5,792 of those dispositions have been to persons outside of the members of the du Pont family, as that term is used in the Government's amended complaint.

By Mr. Harlan:

Q. For example, Mr. du Pont, you have listed here gifts to charities between 1933 and 47 of 1321 shares of Christiana stock. Do you see that there?

A. Yes.

Q. Can you state from recollection the names of any of those charities who were the beneficiaries of your bounty?

A. Undoubtedly the largest portion of that went to the Bio-Chemical Research Foundation of the Franklin Institute in Philadelphia. They are investigating the subject of [fol. 1907] cancer, and I thought it was a very good expenditure to deliver the stock, and they sold it.

Q. The sales from brokers amounted to nearly 2,000 shares. Are those sales on the open market in due course for the purpose of raising cash?

A. Yes.

Q. Before you made any of those sales or charitable dispositions, did you assemble the Christiana stockholders together and tell them that you were going to breach this alleged agreement that prevented you from making these dispositions?

A. I didn't consult anybody but myself.

Q. You have disposed of, as this schedule shows, certain shares of Christiana stock to your own family, children, from time to time?

A. I did.

Q. In connection with any of those dispositions have you imposed any condition or asked for any arrangement or agreement from your children that they would not dispose of the Christiana stock outside of the family?

A. No such agreement.

Q. Or have you made any effort to dissuade them from doing that at any time?

A. I think not.

Q. Now, passing over to the Delaware Realty & Investment Corporation which the Government also charges, you are aware, was formed as a part of this alleged conspiracy to restrain trade, are you familiar with the circumstances under which Delaware Realty & Investment Corporation came into being?

A. I am familiar.

Q. Will you state that story, please, in your own words, as fully as you can recall it?

A. Well, Pierre wanted to get an annuity and pay for it with industrial stocks. The grantor of an annuity was not limited as to the character of the investment. We could continue to hold the same investment. Those on the average [fol. 1908] returned far higher than the standard funds used by insurance companies for annuities and insurance, so that the income from it was larger per dollar capital than the capital used by insurance companies. We thought that by making a proposition based on that high rate of return on which we could count, and if the thing was successful, we would make a great deal of money. If the thing failed, all we would lose was \$100,000.00 apiece that we put into the company, so it looked to me like a pretty good gamble. All we risked was the value of the stock that we subscribed to, \$100,000.00 for each of the eight participants. Well, that is all there was to it.

By Mr. Harlan:

Q. Was there any discussion with Pierre or your brothers-in-law as to this being a useful device to get a captive market from General Motors?

A. No, sir, never thought of it. Didn't even know we were going to own any General Motors at the time.

Q. Delaware was formed in 1924.

A. Oh, I thought it was the Christiana date.

No, sir, it was not.

Q. Now, what did you do with the Delaware stock that you subscribed for in connection with this annuity transaction?

A. I put it in trust for my children.

Q. Did you do that of your own free will?

A. I did.

Q. Was there any discussion between you and Pierre or direction by Pierre that he wanted you to keep this stock in the family?

A. None whatever.

Q. Why was it that you decided to trustee all of the stock representing your share of the subscription for the [fol. 1909] benefit of your children?

A. I had enough to get along on without any income from it, and I didn't think there would be income from it for several years, and I thought it would be a more appropriate item to pass along to my children under a trust to take effect later than it would be to hold it myself.

Q. Do you happen to recall what the terms of those trusts were, meaning by that, at what stage, if any, did the children as beneficiaries receive the Delaware stock outright, as distinguished simply from the income of it?

A. I think—I may have it confused with another trust, but I think it was when they got married, or when they reached 26 under one trust, and the other was when they reached 31. I have forgotten which was which, but you have copies of it.

Q. All right. Do you recall whether or not at the time you established those trusts or at the time the remainders fell in, and the children got the stock outright, you had any discussion with them or understanding with them as to whether they should keep the Delaware stock always in the du Pont family?

A. None whatever, with the exception that you flashed some letters on me that I had forgotten entirely, one to the effect that I had admonished my daughter Margaretta not to throw the certificate in the waste basket, that it might be worth something.

Q. Have you at any time tried to limit in any way the freedom of any of your children to dispose of the Delaware stock, if they wished to do so, if they pleased?



A. I have never done anything of the kind.

Q. Have you had any arrangement or understanding with your children as to how they should vote the Delaware stock?

A. I think not, although I heard later that one [fol. 1910] of the trusts made by one of my children appointed me as a sort of an adviser, and I received a letter, and I didn't know I had been appointed an adviser, so I said, "Do just whatever they ask you" as advice to the Wilmington Trust Company. That only happened this year. I think they simply woke up to the fact that I was an adviser, I suppose, on account of this trial.

Mr. Harlan: At this point, may I offer, with your Honor's permission, or refer to—I beg your pardon—refer to a Government's exhibit that is already in evidence, Government's Exhibit 97, which is a letter signed "Your affectionate father" from Irene du Pont to Misses I. Sophie, Margaretta and Constance, with a copy to Mrs. du Pont.

By Mr. Harlan:

Q. Who were I. Sophie, Margaretta and Constance?

A. Those were my three older daughters.

Mr. Harlan: This letter, if your Honor please, enclosed a copy of a deed of trust or copies of a deed of trust for 100 shares each of the Delaware stock, and in that letter it is stated as follows:

"The Delaware Realty & Investment Co. was incorporated to purchase from Uncle Pierre a large amount of stock in the du Pont Co., Hercules Company and Atlas Company. They gave in payment for this stock an annuity payable to Uncle Pierre and Aunt Alice"—

By Mr. Harlan:

Q. Aunt Alice being whom?

A. His wife, Pierre's wife.

[fol. 1911-1913] Mr. Harlan: (Continuing):

"for life and the amount of the annuity will likely eat up all the income from the securities purchased—in

bad years probably more; in good years probably less; but in no case can the stockholders be assessed if there is not sufficient money to pay the annuity. In that event some of the securities will have to be sold.

"As the annuity payments will cease when Uncle Pierre and Aunt Alice are dead, at that time the stock of the Realty Co. will become very valuable, and as at that time I will probably be too old to need any income, it seemed to me wise to put the stock of the Delaware Realty Co., which cost me about \$100,000, in trust for my children."

Next I offer as du Pont Exhibit No. 68 which would be in Volume 1 of your Honor's book, a copy of a deed of trust dated June 4, 1924 by Mr. Irenee du Pont as settlor, with himself as trustee, and Eleanor Frances du Pont, one of his daughters, as the beneficiary, and before I go further, I want to ask a question.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 68.)

By Mr. Harlan:

Q. Is it your best recollection that the trusts set up for your children of Delaware stock were identical as to their terms?

A. They were.

[fol. 1914] Mr. Harlan: Now, if your Honor please, I turn to another line of testimony which relates to the Government's charges that prior to the General Motors Investment in 1917 and beginning shortly about the time of the war, du Pont's development in the fields other than explosives was motivated by the purpose to acquire for itself a captive market in fields other than explosives which might replace the explosives business after the war ended, and my purpose in this line of interrogation is to develop, through Mr. du Pont, the various developments and expansions that were made by du Pont during this period, up to 1917, to show the circumstances and the reasons why these various steps were undertaken.

Q. You say that you went with the du Pont Company in the black powder department first in 1903?

A. Yes.

Q. What was the business, the principal business of the du Pont Company around that time? What were its products?

A. Explosives; essentially dynamite, black powder and smokeless powder.

Q. Did you also make, or did the du Pont Company also make certain raw materials which went into the manufacture of explosives?

A. Yes, to some extent.

Q. What is smokeless powder?

A. I am speaking first of the military powder. It is made from nitrocellulose by incorporating it with a mixture of [fol. 1915] ether and alcohol that changes the character of the nitrocellulose from the appearance that it had before nitration. It looks originally like cotton, which is nitrated into the plastic form, which could be extruded from a hole to make a cylindrical cross section like a wire, or more accurately with holes in it like a lead pipe has one hole when it is extruded, and smokeless powder had seven, depending upon the character of the cannon or the rifle that was being used for that powder.

That, when dry, turns into a substance which maintains its shape under very high pressure. That is essentially the way of making it. Now, the principal—

Q. May I interrupt you there for a second. What were the principal uses of smokeless powder at the time we are talking about, 1903?

A. Well, the military powder went entirely to the United States Government with the exception of a small amount of small arms powder which went to various loading companies for amateur use.

Q. Was the base of both the military powder and the commercial smokeless powder nitrocellulose or was that confined to the smokeless military powder?

A. They were both nitrocellulose.

Q. Who were the principal customers in those days for your military smokeless powder?

A. The army and navy, U. S.

Q. Did there come a time when the army and navy, or one of them built smokeless powder plants of their own?

A. They had one mill—the army built one at Picatinny Arsenal, at the base arsenal according to my recollection.

Before that, the navy had built one at Indian Head. Of course, I knew that at the time when I went to [fol. 1916], the du Pont Company. I heard of that. The Picatinny Arsenal was built while I was with the du Pont Company.

Q. What effect did the erection of those plants have upon the smokeless powder business of the du Pont Company?

A. We were, of course, immediately fearful, knowing that their capacity was approximately equal to our capacity, that we would lose the business altogether, that the Government would make its own powder.

Q. What, if anything, did you do in anticipation of that happening?

A. Well, the executive committee of the du Pont Company before I was on it, started in to try to find what use they could make of nitrocellulose apart from smokeless powder, to try to use the plant that we had. That had been investigated at the time I went into the development department, and things were pretty black at the time. I was in charge of that, and I had before that been on the committee to find uses for nitrocellulose, anticipating that branch of the industry would disappear.

Q. Then subsequent to your resignation as head of the development department, you became the assistant general manager of the company?

A. That was in 1910 I became general manager. I was not familiar with the development department thereafter.

Q. As such in those various capacities, are you familiar with the history of the development and exploration and research of du Pont Company into the question of uses for excess nitrocellulose, as you referred to it?

A. Yes, I think I might say I was posted on that, certainly up to the end of 1910.

Mr. Harlan: At this point, before we start on that, I would like to offer, if your Honor please, du Pont Exhibit No. 69, which would be in the first volume, which is a copy of a resolution of the du Pont Company Executive Committee, December 17, 1908.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 69.)

Mr. Harlan: This reads:

"A general discussion ensued concerning the probable amount of smokeless powder orders we are likely to receive from the Government in the future, and the likelihood of our having considerable idle capacity at our smokeless powder plants."

Then follows the appointment of Mr. Haskell, Mr. P. S. du Pont, and Mr. Dwinnell as a special committee to look into the question of the direction of developing further uses for guncotton "or any of the other products of our smokeless powder plants."

By Mr. Harlan:

Q. Is nitrocellulose sometimes called guncotton?

A. That is the old name for it, and it is still in use.

Q. You seem to have some difficulty hearing me. Is that gadget of yours out of order?

A. I hear better this way (indicating) than I can with the gadget.

Q. Am I talking loud enough?

A. Plenty.

Mr. Harlan: Next I offer du Pont Exhibit No. 70, which is another resolution or advice of action of the Executive Committee of du Pont dated March 6, 1909.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 70.)

[fol. 1918] Mr. Harlan: This simply substitutes Mr. Irene du Pont for Mr. Dwinnell on that special committee to look into the excess nitrocellulose problem.

By Mr. Harlan:

Q. Mr. du Pont, at the time that you were confronted with this situation as to nitrocellulose and new uses for it, what were the principal fields other than military powder in which it was believed nitrocellulose might be used?

A. I think the largest field was in what was known as celluloid products. The second largest was in artificial leather. The third largest, I think, was probably artificial silk made by the Chardonnet process, but that was entirely



abroad, none in the United States. The fourth was lacquers, which the du Pont Company was already engaged in manufacturing.

Mr. Harlan: I offer at this point, if your Honor please, du Pont Exhibit No. 71, which would be, I think, in Volume II.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 71.)

Mr. Harlan: This is a memorandum on the letterhead of the du Pont Development Department, dated September 12, 1913, from a gentleman named Richards to Mr. R. R. M. Carpenter, the manager, in which the opening paragraph reads:

"You recently asked me to give some attention to the purposes for which nitrocellulose is used in the various arts and manufactures, to determine whether there are uses, other than those with which we are already familiar, that seem susceptible of development [fol. 1919] into outlets for material quantities of nitrocellulose in addition to our present sales."

Then he lists, which I need not read, various products in which nitrocellulose is used, including the four that Mr. Irene du Pont has just testified about.

By Mr. Harlan:

Q. I would like to begin, first, with artificial leather, which is one of the possible outlets for nitrocellulose that you referred to a moment ago.

Will you please state, as fully as you can from your recollection, what the reasons were that attracted du Pont into artificial leather as a possible field for nitrocellulose, and what the steps were that finally brought it into that kind of manufacture.

Take your time and state it as fully as you can.

A. I think the fact that we had heard rumors that one of the manufacturers of artificial leather, the Fabrikoid Company, was experimenting in their recovery of solvents from the manufacture of artificial leather. They were one of the larger artificial leather manufacturers.

We thought that we already knew about solvent recovery from our smokeless powder experience; knew far more about the difficulties and the means of accomplishing it than anybody else.

We thought that it might be a very good thing for us to jump right in on artificial leather and make use of our knowledge of the recovery of solvents, which is a very considerable part of the cost of manufacturing.

We investigated the Fabrikoid Company, and found them a very good concern. They had a pretty good name.

No artificial leather was entirely satisfactory at that time. There was ample opportunity to improve it. That [fol. 1920] improvement consisted not only of a general improvement, but, as you might say nowadays, tailoring it for the particular use it was to be put to.

The hospital sheetings which were in use to some extent were a very, very thin film of nitrocellulose jelly put over thin cotton cloth. The bulk of the cost was in the cloth. We were not interested in cloth. But the heavier grades had all sorts of difficulties. Some were too stiff. Some would go sour and smell bad, and we thought that we could do something with that.

We negotiated with the Fabrikoid people, and finally purchased them for about a million dollars. Immediately we found out that they had tried to recover solvents and had a number of fires resulting.

Q. Have you finished?

A. I think that is all.

Q. Before you purchased the Fabrikoid Company, had you conducted within du Pont any experiments or any research to see whether your expectation that you could improve on the quality of artificial leather was or was not based on a sound foundation?

A. Well, we ran a laboratory outfit. It wasn't a plant. We made artificial leather before we bought Fabrikoid Company. We knew what the process was. We knew we could operate it. Solvent recovery didn't seem to present very great difficulties to us at that time.

Q. I wish you would elaborate a little bit, since we are all laymen on this subject. What do you mean by the solvent recovery process, and what bearing did that have on your getting into artificial leather?

Could you explain that a little more?

A. I think so. To make artificial leather, they make a gelatinous solution of nitrocellulose in a solvent. That is [fol. 1921] the variable thing, the solvent. But they all have the property of dissolving nitrocellulose, and when the evaporation of the solvent takes place, it leaves a hard, springy layer, resistant to abrasion.

The solvent used varied according to whose plant you went in and according to what you were trying to make. The solvent in use by the old Fabrikoid Company was very largely scrap celluloid and by-product ketones and aldehydes, by-products from charcoal manufacture. The destructive distillation of wood gives off various vapors which condense into quite a conglomeration of things, but the aldehydes that come off are very good solvents of nitrocellulose, and that is the bulk of what they used at first.

We were quite aware that other methods of solution were used, such as ethyl acetate, which we had used in lacquers for a long time. There was a secret formula called "Star Solvent" that happened to be a very good solution.

We, of course, could use that in artificial leather, in the manufacture of artificial leather. It is not there when the finished article comes out. It is all evaporated and gone, but by condensing those vapors or absorbing them in sundry materials which have the property of selective absorption of the solvent, we can get it back again or a good deal of it.

Q. Did the manufacture of explosives at this time involve the use of a solvent recovery process of some kind?

A. Yes, sir. We recovered it and had perfected it very well. I mean by perfected, we were getting very high yields of recovery.

Q. Before I introduce the next few exhibits, Mr. du Pont, did you succeed in improving the quality of artificial leather and broadening its uses over and above what had been the case before you got into the artificial leather [fol. 1922] business?

A. We certainly did that. Over the years we made it very much better. It isn't noticeable any more that it is artificial leather. You see it on book bindings, furniture, and lots of things.

Nobody appreciates that it is artificial leather any more. They used to have great resistance in selling because it

was artificial leather and had drawbacks, but those have been overcome.

Mr. Harlan: Now, if your Honor please, I offer du Pont Exhibit No. 72, which is a report by Mr. Irene du Pont to the Executive Committee of the du Pont Company, dated February 9, 1910. This would be in Volume II, if your Honor please.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 72.)

Mr. Harlan: I would like to read the item relating to artificial leather, beginning on page one:

"The study of this subject was commenced—"

It is "commended" in the copy, but I assume it means commenced—

"—early in the year 1909 as a possible outlet for nitro-cellulose in case our Government Smokeless Powder business should dwindle. The early work on the subject indicated that most of the artificial leather on the market was of a poor quality although there existed an unsatisfied demand for a high grade artificial leather besides which there was reason to believe that the demand for the high grade article would increase greatly were an ample supply of reliable material placed on the market.

[fol. 1923] "With a view of determining whether a satisfactory artificial leather can be produced at a reasonable cost as well as to determine whether the solvents used in the manufacture can be recovered, a coating machine for manufacturing artificial leather was set up in the fall at the Oakland plant—"

By Mr. Harlan:

Q. What was the Oakland plant?

A. It was a small plant, I think, in New Jersey, across the river from Wilmington.

Q. Of the du Pont Company?

A. Yes.

Mr. Harlan: (Continuing)

"—while this plant was being abandoned by the smokeless department. Experiments in the early winter have been impeded by minor difficulties, probably largely due to our lack of familiarity with the subject, so that the year closed without our having the data desired but we have gained information which will enable us to make more rapid progress in the future."

Next, if your Honor please, I refer to Government's Exhibit No. 106, which will be in the Government volumes, and simply point out for the record that that report contains a history of the du Pont development of artificial leather that has been testified to by Mr. du Pont.

By Mr. Harlan:

Q. Finally, Mr. du Pont, do you know whether or not the Fabrikoid Company itself had a source of nitrocellulose [fol. 1924] in its manufacture of artificial leather?

A. It did. It had a rather antique type of plant.

Q. The next subject that you mentioned as possibly furnishing an outlet for nitrocellulose was celluloid?

A. Yes, sir.

Q. Can you state as fully as possible the circumstances under which du Pont went into celluloid, and what the steps were that were involved in its examination of that product, that subject?

A. The large volume of celluloid at that time put it ahead in tonnage over the other uses we had been looking into. It looked as though it were a very good thing, and we thought that we should investigate the possibilities of seeing whether that wouldn't be a good outlet. Investigation showed that it had some very good points and some poor ones. There were two large manufacturers—the Arlington Company, and still larger, the Celluloid Company, both of Newark, New Jersey. They were fairly good sized companies.

We found that they had a very good product. We also found that they had to sell a good deal of it as knick-knacks and odds and ends, which were not really up our alley.

We studied that over quite a period of time, and finally put it on the shelf to be considered later, when, rather un-



expectedly in 1915, we heard that the owners of the Arlington Company were very anxious to sell out.

That was due presumably, and I think it was a fact, that they were having trouble among themselves. There were two cliques that didn't get along well, and both, I think, were getting along in years and wanted to sell out.

Anyhow, the opportunity seemed to be pretty good. The price seemed to be right. We thought we would get into it by that route and bought them.

[fol. 1925] Q. That was in 1915?

A. Yes, 1915.

Q. Let me go back for a moment. You haven't yet told us what celluloid is and what its relation is to nitrocellulose.

A. It is made of nitrocellulose and camphor incorporated together. The camphor acts as a solid solvent. Although they are both solid when they are incorporated and warmed they become a plastic which can be molded and retains shape when they cool.

Q. You stated that the idea of your going into the celluloid business and having to sell a lot of celluloid knick-knacks didn't appeal. What, if any, steps were taken then by you to explore the possibility of selling better material of cheaper material to the celluloid manufacturers?

A. Oh, already I think before that, we had tried to sell nitrocellulose to them, but they would have none of it. They wanted to control the quality. We later found out that quality is a very important matter in celluloid. The least speck will show up in the sheets, and that makes it unhandy, so to speak, to inspect and remove them.

So that our method of making nitrocellulose from cotton was not as good as the method of producing a high grade product, by nitrating fine paper made out of rags. That is much more costly, but offset by the quality of the goods.

Q. What about the aspect of camphor as one of the ingredients of celluloid manufacture?

A. Well, we tried, I don't know which year it was, to make synthetic camphor, and finally built a plant to make it, and the first plant was unsuccessful. Neither the quality nor the price was right. Later on we tried again and succeeded in making a very satisfactory camphor at a good price, and that is what we are doing.

[fol. 1926] Q. Where did the camphor come from?

A. It came from Formosa, by way of Japan, and the Japanese sold it, but I believe the camphor trees were grown entirely in Formosa.

Q. The camphor you are selling today, does that come out of a tree?

A. We buy turpentine as raw material. There is plenty of it in the South here, and after a long series of reactions it comes out camphor of a very good quality indeed.

Q. Synthetic camphor?

A. Yes.

Mr. Harlan: Now, in connection with the celluloid development, if your Honor please, I refer to Government's Exhibit No. 108, which refers to the various courses that might be open to du Pont toward getting into the celluloid business as an outlet for nitro-cellulose.

Next I offer du Pont No. 73, which is, if your Honor please, in the second volume. It is a report dated November 11, 1914, of the Development Department of the Executive Committee, and I would like to read a few paragraphs from that report, with your Honor's permission.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 73.)

Mr. Harlan: This relates to celluloid. I start, if your Honor please, on page 3 at the top:

"In accordance with the request of the Executive Committee estimates were compiled of a large economically operating plant and for the small plant a capacity of 10% of the large one was accepted. Inasmuch as the small plant was so designed as to readily facilitate enlargement, as might be expected, neither its original cost nor its cost of operation are such as [fol. 1927-1928] might be expected had it been layed out with a view to economy of installation and efficiency in operation.

"However, circumstances which have arisen during the last two months may make it expedient to postpone for the present the erection of even the small plant at Haskell."

By Mr. Harlan:

Q. This being in November, 1914, can you say what those circumstances were that intervened?

A. I suppose it was World War I. We were fighting the Kaiser then.

[fol. 1929] And finally, to complete the series on celluloid, I offer, or rather, refer to Government's Exhibit No. 109, which refers to the opportunity to purchase the Arlington Company, and which, without reading, your Honor will note that the opportunity arose because of a series of circumstances within the internal organization that led to the desire of the owners to sell out.

Q. Is celluloid sometimes known as "Pyralin"?

A. That is our name for it. Celluloid, I believe, is a copyrighted name by the Celluloid Company.

[fols. 1930-1931] Adjournment

[fol. 1932] IRENEE DU PONT, resumed the stand, having been previously duly sworn, testified further as follows:

Direct examination (continued)

By Mr. Harlan:

Q. Mr. du Pont, we were discussing yesterday the various fields of possible uses for nitrocellulose that were explored by the du Pont Company following the period in the early part of the century when the smokeless powder orders from the government either dried up or were threatening to dry up.

We covered yesterday "Fabrikoid" and celluloid, and we were about to embark on artificial silk, which was one of the subjects that you mentioned as being an outlet for nitrocellulose.

A. Yes, sir.

Q. Can you tell us what was done in the field of exploring artificial silk during this early period?

A. That was confined to artificial silk made from nitrocellulose, the Chardonnet process.

We investigated that quite fully, but soon reached the conclusion that it could not compete with viscose silk. It was more expensive to make by that route, and at the same

time it was considerably more dangerous, there being danger from fire when nitrocellulose is first spun.

Q. You refer to nitrocellulose silk and viscose silk. Could you explain a little more what the difference between the two is, and why you in du Pont were interested in nitrocellulose silk?

A. Nitrocellulose silk is made by spinning a filament squirted out through a small, very fine die to make a fiber [fol. 1933] out of colloided nitrocellulose, very thin limp form, that made a very thin filament of colloided nitrocellulose which to all appearances is very silk-like. We had heard that that was one of the old forms of artificial silk.

We passed that up—put it on ice, so to speak—on account of the danger and the fact that inherently it ought to cost more than viscose.

Q. Viscose silk is what?

A. That is cotton dissolved into viscose. I won't go into the chemistry. It is first treated with caustic potash, I think, and other things, and becomes a soluble material, not nitrated.

Q. Why was it that the du Pont Company at this stage was interested in looking into the possible manufacture of nitrocellulose silk as distinguished from viscose silk?

A. We were looking for an outlet for nitrocellulose and not to go into just the spinning of cotton by a different route.

Q. Do you recall whether at the time of this early exploration of nitrocellulose silk anyone came over and started a viscose silk project in this country?

A. Yes, sir. Courtaulds & Company, a British firm, came over and built a plant at Marcus Hook, which is not very far from Wilmington, about ten miles away, and, with a cheaper form of manufacture already started it would be foolish to go into nitrocellulose silk competition.

Q. The Courtaulds process was what process?

A. Viscose process.

Q. You said you laid aside your consideration at this stage of the matter. Did you subsequently go into the artificial silk business?

A. We did not. We had more negotiations later. We had some sort of an overture, I think, from a French

[fol: 1934] concern that made Chardonnet silk. I think it was called the Chardonnet Company at the time. I have forgotten or never knew, but I knew what it was.

In the first place, they wanted entirely too much for it, and in the second place, our forecast that artificial silk by the Chardonnet process could not compete had come true.

Q. Did you subsequently and after the end of World War I go into the manufacture of artificial silk by the viscose process?

A. We did.

Q. Did you acquire rights from any source for the viscose process?

A. I believe we did. I think—well, I am not up on that. It was after my time, really.

Q. Well, in all events, when you went into the artificial silk business eventually, it was through the viscose process?

A. Yes, sir.

Q. And since that time you have been in competition with American Viscose?

A. American Viscose, which was the name Courtaulds & Company was operating under in America.

Q. The Courtaulds outfit?

A. Yes, sir.

Mr. Harlan: Now, if your Honor please, I refer to du Pont Exhibit No. 72, which is already in evidence, which is a report of the Development Department signed by Mr. Irene du Pont, and I read, if your Honor please, from page 2 under the caption "Artificial Silk."

The report is dated February 9, 1910:

"A study of the different methods of manufacturing artificial silk assures us that the product resulting from the nitrocellulose method, though more expensive, is of the best quality and therefore like artificial leather is a possible outlet for our nitrocellulose should Government orders—"

[fol. 1935] By Mr. Harlan:

Q. Government orders there being the Government orders for military smokeless powder?

A. From the United States.



Mr. Harlan: (Continuing)

"—Government orders decrease to a marked extent. Of the nitrocellulose processes, that of Chardonnet, which is being worked on a large scale at Besançon, France, with a subsidiary company operating in Italy, is the best known and most successful. It was thought that our best move would be to purchase the experience and rights of such a company and for this purpose negotiations with the Chardonnet people were entered into and a proposition received, but by this time the immediate necessity of finding an outlet for nitrocellulose had disappeared because of the large orders received from the Government and the work on the subject was not pushed rapidly. The considerable capital cost required, together with the decreased likelihood of the United States Government cutting off our orders for smokeless powder, caused us to delay active work on the subject from that time, although it was recognized that should our alcohol factory be eminently successful the low cost of this material and other resulting therefrom would make the artificial silk industry much more attractive."

By Mr. Harlan:

Q. Now in the Development Department report that I introduced in evidence yesterday that was written by Mr. [fol. 1936] Richards outlining or listing the then uses of nitrocellulose, one of the items mentioned is photographic film.

I am referring, if your Honor please, to du Pont Exhibit No. 71.

Can you tell us, Mr. du Pont, what, if any, investigation was made about this time by the company in the field of photographic film as a possible use for nitrocellulose?

A. I recall that we had looked into that quite carefully. In fact, we started to make the nitrocellulose backing of photographic film at that time. I think we had an experimental wheel for casting the sheeting, and that was the same wheel and the same undertaking which developed Duco in 1920.

We found that a very fine, thin limpid solution of nitrocellulose could be made if you had a trifling amount of

another material added, such as sodium acetate, in minute quantities. It not only made it a conductor of electricity, so that the film would not have static electricity markings on it then, but it also enabled you to get a great deal more solids into the solution without stopping the ability to use it as a paint or spray.

Q. Did anything come at this stage, that is prior to 1915, prior to the war, did anything come at that stage of your exploration into the artificial film manufacture? Did you go into it at that time? I mean photographic film. I beg your pardon.

A. I don't remember just when we started putting emulsion on, going into photographic part of it, but I know we had worked on the backing with the idea of selling that to people who did war it.

Q. Well, without regard to the date, do you recall generally that subsequently the du Pont Company did go into [fol. 1937] the photographic film product manufacture?

A. They did.

Q. And it is now in competition with such concerns as Eastman, and so forth, is that right?

A. That is correct.

Q. Now, the fourth of these subjects that you mentioned yesterday concerning the possible uses for nitrocellulose was the field of lacquers. Can you tell us what was done by the du Pont Company to explore that field prior to 1915, or in that area?

A. The International Smokeless Powder & Chemical Company already had embarked into it when we took them over, so it was a small established business at that time, and we made an excellent quality and most attractive material, but the volume was too small to make a good industry out of it. We had to add to it to make it a component part of the paint and varnish industry, in order to carry the overhead.

Q. Was there any real development made in expanding your lacquer business at this early stage?

A. Well, a part of that is "Duco" cement. We went into that, which is a nitrocellulose solution of a different type, or a different solvent which is used to unite pieces of leather together so that the joint of the bond was stronger than the leather it was made of, and that came

into vogue as a belt cement, and we put it out as "Duco" cement for family use.

But we were up against the same thing we foresaw in "Pyralin." We were making little articles, and the distributing was very expensive, a very expensive item, and we were not very well versed in that, so I think we lost money on du Pont cement for many years.

Q. Now, in these various fields you have discussed, artificial leather, celluloid, artificial silk, photographic film and lacquers, in connection with the search for uses for nitrocellulose, will you please tell us what the considerations [fol. 1938] were that led du Pont to explore these particular fields and uses for nitrocellulose or to go into some of them, what were the basic objectives?

A. Clearly the use of nitrocellulose was not the objective. We wanted something to use the nitrocellulose on and put in operation in the nitrocellulose plants which had become idle, on account of the government ceasing to take smokeless powder. We felt we had a lot of technical information, through our considerable experience from the manufacture of smokeless powder with nitrocellulose, which would enable us to make improvements, and we felt we could reduce costs and increase the excellence of the product to a point where the use of the material could be greatly expanded, and we could make an industry out of it which would be worthwhile.

In the first World War, in making the smokeless powders, we found that the recovery of alcohol made a difference of \$100,000,000.00 in our profit so it was a very valuable thing to have the know-how, and if we had not been able to do that in the case of smokeless powder, we could not have gotten enough alcohol to meet the powder requirements, so in the first place, we had to do it to save the alcohol and in the second place the economy of it was enormous.

Q. Was your consideration of these various fields you have just been over, as a possible outlet for nitrocellulose, affected in any way or to any degree by the prospect or hope of obtaining protected or captive markets for the products you were going to make?

A. Absolutely not. I had never heard of a protected market at that time.

Q. Now, I want to pass along to the phase of the company's development which began with World War I and then to carry it through afterwards.

[fol. 1939] First of all, let me ask you, following the outbreak of the European war in August of 1914, did the du Pont Company receive any orders for military powder from the combatants on the other side?

A. We did.

Q. From what countries did you receive such orders?

A. France, Italy, England, Russia, and I think Japan.

Q. Japan at that time was on our side of the fence, or what later became our side of the fence?

A. Yes, and so was Italy.

Q. Now, I wish you would state—

A. I omitted Russia.

Q. Russia, and in those days, Russia was—

A. Our friend.

Q. Now, I wish you would state from your recollection, —you, by the way, were the chairman of the Executive Committee of the company at this time, were you not?

A. 1915, yes.

Q. What the problems were that the company was faced with, and what the company had to do in order to fulfill those war orders?

A. Our customers wanted speed, early deliveries. That was the absolute requirement that we had to meet. They were out of powder, and they wanted it, and they wanted it quickly. When we got these contracts, we had to promise very early delivery, earlier than we believed we could possibly meet, but we met them and that was one of the triumphs of the du Pont Company's participation in the war effort, the speed with which we were able to erect factories. Sulphuric acid was one of the prime components of the industry, in smokeless powder, and it requires nitric acid, which in turn makes use of the sulphuric acid. [fol. 1940] We tried to get the General Chemical Company to do it, and they could not promise a new plant to be in operation in less than eight months, and I think we did it in sixty-five days, got the plant in operation from the time of breaking the ground, and I thought that was pretty good time.

We found that could not be done with the ordinary type of lead burners, so we built them entirely out of iron, and

then made the sulphuric acid with sulphur trioxide which is sulphuric acid without water.

Q. When did these first war orders from the Allies come into the company?

A. I cannot remember that in order.

Q. No, I did not mean in order. The war started in August, 1914; when did you begin?

A. It was some time late in the fall.

Q. In the fall of 1914?

A. Yes, sir.

Q. Do you recall as to the delivery date that was called for by your customers, for the first deliveries of powder out of the plants that were constructed?

A. I think it was about April of 1915.

Q. And now, during the period from the fall of 1914 to April, 1915, did you build any new plants or enlarge your facilities?

A. We enlarged our facilities at Carney's Point and other points and we started the Hopewell plant for nitrocellulose and we enlarged the nitrocellulose output of our old plant, but not nearly enough that our customers wanted. We had to start from the ground up and build a plant at Hopewell. These units manufactured in a sort of independent way and we built each one as an independent line.

Some were gun cotton. The gun cotton lines were built at Hopewell, six of them. At that time the head of the [fol. 1941] smokeless powder department, Mr. Brown, said now we have reached the limit, and we could not possibly make more than that.

When the war closed, we had twenty-four plants, four times as much as he thought physically possible.

We did it without sabotage or undue fires. These commodities were more or less inflammable. Some were worse than others, and some stages were worse than others, but they were all subject to fire.

Q. Can you state whether, at the time you got these orders in 1914, when the Allies came to you, did you foresee at that time that the large earnings that eventually resulted were sure to result?

A. Far from it.

Q. Why was that?

A. Because we had undertaken a tremendous job and we



did not know if we could educate enough men or assemble enough material, or get enough raw material to be 100 percent sure of winning out, and if it had not been for the improvements that were made, I do not think that we would have done it. We would not have been able to fulfill their requirements.

Q. There has been reference made in this case in the government's trial brief, and in this court room at earlier stages, as to the provisions of those contracts, the initial contracts with the warring powers which fixed the price of the initial contract rates on powder at a figure which included a charge to take care of the amortization of the new plants and facilities that you had to build.

Do you recall that?

A. That is correct.

Q. Will you say why that was done, and what the basis for it was?

A. In the first place, we didn't have the capital to build and get into operation, so we required a down payment of [fol: 1942] 50 cents a pound, half the purchase price on these new factories, and that enabled us to finance them to keep going. We couldn't have done it without that advance. It was not an allowance for depreciation. They were really paying our estimated cost of the factories in advance.

Q. What did that total charge, the powder charge, plus the charge for the construction of the plant, that component of the total charge, what did that bring the total price of powder at initially?

A. One dollar.

Q. And when the first contracts were fulfilled and your plants, the new plants had been paid for on that basis, what happened to the price of powder then?

A. We reduced it.

Q. To what price, do you remember?

A. It varied at different periods, but it was on the order of 50 cents.

Q. Do you recall what relation that price bore to the pre-war United States Government price?

A. The Government had a fixed price of 52 cents before the war. That was set after their investigation of the subject, and it was based on the supposed cost to the Government, but in their cost they had nothing for supervision,

nothing for taxes, nothing for obsolescence, so we really were doing it on a basis which was false, but it was satisfactory. We made money on it.

Q. Following the entry of this country into the war in April of 1917, I guess it was, did the du Pont Company do any powder manufacture for the United States Government?

A. I don't think we did until 1917—no war orders until—

Q. I said after the United States entered the war in April of 1917, did you engage in any powder manufacture for the United States Government?

A. The United States combined with the Allies and took [fol. 1943] the whole lot, and apportioned it the way they wanted it after the United States got in. That is my recollection.

Q. Did you build any war plants or manufacturing facilities for the manufacture of powder for the United States Government?

A. Yes, we did.

Q. Where were they?

A. Old Hickory, Tennessee, was the big plant.

Mr. Harlan: Now, if your Honor please, I offer a copy of the annual report of the du Pont Company which is du Pont Exhibit No. 74, for the year 1918, an excerpt from which has been offered by the government, as its exhibit, and I would like to have the whole report in.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 74.)

Mr. Harlan: I don't intend to read it, but I do want to call attention to certain of the figures in that report that bear upon the testimony that Mr. du Pont has just given as to the Allied war orders.

If your Honor will turn to page 10 of the report, in the paragraph following the figure 9 in the middle of the page, your Honor will find the figures that the pre-war powder output of the du Pont Company was at the rate of 700,000 pounds a month, and that that had been stepped up in consequence of these war orders, and this emergency situation, by March of 1918, to the rate of 37,000,000 pounds a month.

Again, if your Honor please, at page 9 of the report, that is the 9 at the bottom of the page, just the page before the

one your Honor is looking at, you will find a figure of 1,400,000,000 pounds of powder, as representing the total production of the company for the Allies, and later for the United [fol. 1944] States Government during the war, and further, on the top of the page, that that output was estimated at being about 40 per cent of all of the explosives made throughout the war and used by the Allies.

On page 4 of the report, your Honor will note the figure in the last paragraph that new construction executed by the du Pont Company for the war emergency represented an investment of \$220,000,000 odd, and on the same page and in the same paragraph, that the increase called for in the engineering department of the company alone was from a figure of 800 personnel before the war to some 45,000 people in that department alone by March of 1918.

Then if you Honor will look at page 10, you will find that the total employees, supervisory, et cetera, employed in all departments of the company before the war was about 5300, and by reference to page 3, or the first page of the report it actually is, that that total personnel had been stepped up by March of 1918 to over 85,000.

Then on page 4 your Honor will find that the gross capital employed by the company in meeting these demands had increased from a figure of roughly eighty-three and a half million dollars in the beginning of 1915 to some three hundred and nine million dollars by the end of 1918 or the middle of 1918.

By Mr. Harlan:

Q. In connection with your war orders, did the company find it necessary to engage in the manufacture of raw materials for the manufacture of explosives which it had previously gotten from other sources?

A. Yes, sir.

Q. Can you state what some of those materials were, the [fol. 1945] more important of them?

A. Well, of course the great volume was sulphuric acid, nitric acid, purifying cotton lintners.

Mr. Harlan: Excuse me. I have slight difficulty in hearing. Does your Honor?

The Court: I have no difficulty in hearing him at all. I hear him very well.

By Mr. Harlan:

Q. Proceed.

A. They were unobtainable in the quantities we wanted. They were entirely unobtainable. We had to make them ourselves. Sulphuric acids, I think, were used, something like two billion pounds, and there was no such capacity even approached in the country. In fact, I doubt if there was that much anywhere assembled in the world. That was the big item.

The next was nitric acid, and that is made by consuming sulphuric acid and treating nitrate of soda, mined and purified there for use. That in itself was an enormous undertaking. It is a very corrosive process to heat them up. The mixture is of sulphuric acid and nitrate of soda, and the nitric acid is forming as you put it in. When the reaction is completed, the nitric acid all boiled off, and the products all condensed, the sulfate left over is waste material which we carried out and dumped into a little valley from which the water of the streams had been diverted, and after the war we had 2,000,000 tons of it on hand, and we found we could quarry it out and sell it to the steel people, which made a very nice "yapa"—if you know what a yapa is. That is a dividend.

Q. Any other products that you had to go into the manufacture of?

A. The difficult one was diphenylamine. That came entirely from abroad before the war, and was a difficult process to make in that it is very corrosive and the apparatus kept destroying itself very rapidly, so we just had to keep building new units for that all the time until about the end of the war we finally found materials which would stand the treatment.

Q. Where had you procured your diphenylamine before the war?

A. From Germany. But where we made it ourselves, we made it at Deepwater Point, I believe, or Repauno. I am not sure if they diverted some from Repauno.

Q. Are there any other products that you recall that you had to engage in your own manufacture?

A. Alcohol. We had a small plant to make it from wood waste, but we were able to get alcohol by the expedient of recovery better than we did before.

I think in that report there are some figures on alcohol which are rather astounding. I couldn't state them from memory, but an enormous amount of alcohol was consumed and a very large amount of it recovered. I think there is mention of it there—might I refer to the report? It is quite an astonishing figure.

Q. Certainly. I am showing Mr. du Pont Exhibit No. 74, page 6.

A. The amount handled through the factory was 216,000,000 gallons, of which 86,000,000 gallons were consumed in manufacture and the balance was recovered. That is the difference between 86,000,000 and 216,000,000, which means 130,000,000 gallons were recovered by our recovery system.

That is why we had to have so much ice machinery, to get the low temperatures to condense the last vapors of alcohol out of the air. I think the ice machinery is equivalent to making something like 9,000,000 tons of ice. That is [fol. 1947] how much chilling effect was required, but we got the recovery.

We couldn't have bought additional alcohol. The price had already sky-rocketed and we had reached the limit of manufacture in this country.

Q. What about aniline? Was that one of the products you had to manufacture?

A. Yes, I think that is used in diphenylamine. I know we made aniline. At one time aniline was used in place of diphenylamine, but that became obsolete before the war started.

Q. Did there come a time in the progress of events where it appeared that the du Pont Company was going to make very substantial, extraordinary profits as a result of this war business?

A. That assurance was when we had actually got the factories in operation on time up as far as April and May. Then we knew we had the thing licked, provided something didn't happen, something unforeseen.

As far as our part in it, we had the factories and we could make the goods, we were sure of that, if not interfered with.

Q. When this stage was reached, what, if any, consideration was given by the company or its executives as to what would be done with such profits?

A. Well, the theory of the management was we ought to



hold back a considerable amount, and to hold it back we put it before the stockholders by asking for a reorganization, crystallizing in permanent securities a large amount of additional capital.

That was done in the reorganization of 1915 when we changed the name from the Powder Company to the du Pont Company.

[fol. 1948] Q. Can you state what the considerations were that underlay the decision to keep a substantial amount of such war profits in the business?

A. I think that the committee felt that first we should be able to invest it for greater benefit to our stockholders than by handing it out as a dividend and having those stockholders try to invest it for themselves.

We had trained personnel and we were in a position with the know-how we had, we thought, to find industries to which we could contribute something and utilize the personnel which we had trained, especially in the upper brackets of the company.

We thought it would be a wise thing to do, and I think the theory we had was correct.

Mr. Harlan: Now, if your Honor please, I offer at this point du Pont Exhibit No. 77, which is an excerpt from a report dated March 31, 1915.

I don't intend to read that except to call your Honor's attention to the second page under the caption "Manufacture of Diphenylamine," which relates to the necessity for the company engaging in that manufacture in connection with its war orders.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 77.)

Mr. Harlan: Next, in the same connection, I offer du Pont Exhibit No. 78, which is a Development Department memorandum, dated July 26, 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 78.)

[fols. 1949-1950] Mr. Harlan: This relates to a whole series of products, raw materials, which the du Pont Company was then faced with the necessity of manufacturing or considering manufacturing.

Next, if your Honor please, I offer du Pont Exhibit No. 75, which should be in the same book, which is a memorandum from Mr. Irene du Pont to the Development Department, dated May 3, 1915.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 75.)

Mr. Harlan: I should like to read this memorandum.

(Said document du Pont Exhibit No. 75 was thereupon read to the Court by Mr. Harlan.)

Mr. Harlan: Next I offer, if your Honor please, du Pont Exhibit No. 76.

[fol. 1951] By Mr. Harlan:

Q. Mr. du Pont, following the decision to capitalize a portion of these extraordinary war earnings, were any steps taken to explore possible fields that would be suited to the du Pont organization?

A. There was.

Q. Under whose immediate jurisdiction in the company was the exploration of those fields?

A. The Development Department.

Q. Do you recall what conclusion, what general field of activity it was finally concluded would be best suited to the du Pont Company's experience and skills?

A. I think there were things which would be sufficiently analogous to what we were doing so that our know-how could be put to best advantage, as was in the case of "Fabrikoid" at an earlier date.

Q. What was the general field in which it was considered the du Pont Company would utilize this capital?

A. Chemical manufacture essentially, or involving chemical manufacture.

Q. Can you state why chemical manufacture as distinguished from some other kind of manufacture was considered the suitable field in which to utilize this new capital?

A. I think we had very much greater chemical knowledge. When it came to mechanical knowledge we had no special [fol. 1952] advantage over a great many other people, but we certainly had in matters chemical.

Q. What relation, if any, does explosives manufacture have to chemical manufacture?

A. It is a branch of chemical manufacture.

Mr. Harlan: I offer, if your Honor please, at this point du Pont Exhibit No. 79, which is a memorandum from a gentleman named William Coyne to the Executive Committee, dated January 15, 1916.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 79.)

Mr. Harlan: I should like to read:

“At our Monday’s meeting, I propose to introduce the following resolution:

“Whereas, we have approximately \$22,000,000 invested in Hopewell, Virginia, Plant”—

By Mr. Harlan:

Q. What was that plant, Mr. du Pont?

A. A gun cotton plant.

Q. Was that one of the old plants of the du Pont Company?

A. No, that was an enlargement. We owned the property there. It had been purchased as a possible site for a small dynamite plant, but that plant was never built. But the real estate was a very well selected site, with ample water and shipping connections with railroads, and had barge shipment on the James River so you could reach the sea by that route.

Q. What was the occasion for your building the Hope-  
[fol. 1953] well plant?

A. To make nitrocellulose for the war orders.

Q. That was one of the plants that was built following the war orders from the Allies?

A. Yes.

Mr. Harlan (Continuing):

“Whereas, we have approximately \$22,000,000 invested in Hopewell, Virginia, Plant, and have orders to keep the Plant employed only to the end of November, 1916.

"Therefore, be it resolved :

"That, notwithstanding there is likelihood of further orders, the work of finding employment for that plant, either on present product, or different product or products, be most actively prosecuted"

Next I offer du Pont Exhibit No. 80, which is a minute of the Executive Committee of the du Pont Company dated January 18, 1916, approving the report just read and referring the matter to the Development Department for consideration and recommendation.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 80.)

Mr. Harlan: Next I offer du Pont Exhibit No. 81, which is a report of the Development Department to the Executive Committee entitled "Hopewell Plant Progress Report," dated January 19, 1916.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 81.)

[fol. 1954] I next offer du Pont Exhibit No. 82, which is a minute from the Executive Committee of the company dated January 26, 1916, approving the Development Department's recommendations as to Hopewell.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 81.)

[fol. 1955] Next I offer du Pont Exhibit No. 83, which is a progress report on excess plant utilization and new industries by the Development Department of the company to the Executive Committee, dated February 1, 1917, which proposes among other things a resolution that relates to the general fields in which it is recommended the Development Department should be authorized to explore in the chemical field.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 83.)

[fol. 1956] Mr. Harlan: I am going to read the text of that resolution in a moment from the next exhibit, which I offer, which is the minutes of the Executive Committee meeting

of February 6, 1917, du Pont Exhibit No. 84, where this resolution is adopted.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 84.)

[fol. 1957] Q. Mr. du Pont, will you now direct your attention, please, to the first of the items in that so-called five industry plan, which is referred to as dyestuff and allied organic chemicals, and tell us from your recollection, as fully as you can, what du Pont did toward exploring that field as a part of the line of endeavor, and what it eventually resulted in?

A. During the First World War there was a shortage of dyestuffs in the United States. These dyestuffs had formerly come from Germany, and there was nobody to make the dyes in this country. We thought at that time that it might be a good plan for us to embark into the industry. We thought if anybody could find out how to produce dyes, to make them successfully, the du Pont Company ought to be able to do it, and there was a terrific shortage of dyestuffs in this country. We were further advised that there was a need for the dyestuffs in the textile mills; that if we did not have some way to dye blue jeans, you are not going to get people into that branch of the textiles, and we thought it was necessary to get busy to try to make dyes.

We got copies of the patents that Germany had in this country, and tried to unravel some of them, but they were so drawn up, or substantially all drawn up in a way that [fol. 1958] a man well versed in the art of manufacturing dyes could understand it, and successfully operate them, but for an ordinary chemist, it just would not work out.

In other words, their idea of the art is dependent upon the art as it was in Germany. A German chemist could understand it, because he had been brought up in the dyestuff industry, but a manufacturer of dynamite was not so good at it. To overcome that, we finally imported some German chemists. We got them at a later time, and they came over, and we employed them, and they stayed there, some of them up to the end of their life, and some are still living.

Q. Did the State Department help you in getting the chemists, the German chemists?



A. Yes, they were very kind about it, and they knew of the danger in the shortage of dyes. It became a national matter.

Q. At which one of your plants was the dyestuff industries, or what later became the dyestuff business first established?

A. At Deepwater Point, right across from Wilmington.

Q. Do you recall whether or not, in addition to the dyestuff project, the dyestuffs was broadened out to include any other general field of chemical endeavor?

A. Yes. We began with an organic chemical reaction that would naturally turn into this division of the company, that is the synthetic camphor which will come up sooner or later, and we built a camphor plant to make camphor from turpentine, and that solved the problem of the Japs [fol. 1959] who had the camphor production from Formosa tied up, and they could charge anything they wanted to, and we had to pay it or do without it.

Q. At the time that you decided—and when I say “you” I mean the du Pont Company—to go into dyestuffs manufacture, was the du Pont Company manufacturing any products that had any utility in the manufacture of dyestuffs?

A. I think yes, we made a number of such products. The diphenylamine is also the starting point on a good many dyes. Aniline is the starting point of a good many of the cheaper classes of aniline dyes.

I was trying to think of that—anthracene—we were making some dithallic acid from anthracene. I think that that became quite a little industry for a short time because the Government provided that a compound of that was suitable; denatured, for alcohol so that people wouldn't use it for beverage purposes, and it worked fine. We had a huge business in that particular denature until the Government discovered there was an equally easy way of getting it out of the alcohol, and the business faded away. We were not engaged in bootlegging, I might say. [Note—See pages 2119-2120.]

Q. These products, what are they called in relation to the manufacture of dyes?

A. The anthracene series?

Q. Yes, and these other products.

A. Intermediates. I think that is a general name for all types of things. The anthracene dyes are some of the very high-grade ones, very difficult to operate.

Q. Now, before I offer a series of documents here, do you recall an episode in this development or investigation of dyestuffs manufacture where during the World War I it was proposed that you should make dye intermediates for [fols. 1960-1961] shipment to England?

A. I recall that incident. I don't know why it fell out, except that we had use for everything in the organic line in the war effort; and we couldn't afford to send it over to Britain to work on. The idea was that we would make crude intermediates and send them to England and they would refine them and make them into dyes and ship them back to this country, but it didn't go through.

Mr. Harlan: Now, if your Honor please, I offer, in connection with this subject, du Pont Exhibit No. 85, which is a report to the Executive Committee from the Director of the Development Department, entitled "Dyestuffs," dated December 29, 1915, and I would like to read a paragraph or two from that report.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 85.)

[fol. 1962] I next offer the minutes of the Executive Committee as du Pont Exhibit No. 86, dated December 29, 1915, taking action on that proposal, the resolution reading as follows:

"Resolved, that the Development Department be advised that the Executive Committee feels that due to the raw material situation and the lack of information on which to base any definite action we are not prepared to commit ourselves at this time to go into the manufacture of intermediates for the production of chemical dyes, but that the Development Department be requested to keep closely in touch with this matter with a view to securing final decision of the Executive Committee later."

(Said document so offered and received in evidence was marked du Pont Exhibit No. 86.)

[fol. 1963] Mr. Harlan: Next I offer du Pont Exhibit No. 87 which is a report of the Development Department to the Executive Committee dated May 15, 1916, a progress report on plant utilization, and I refer in this connection, if your Honor please, to page 2 at the top which shows that it is there proposed, as Mr. du Pont testified a moment ago, that the dyestuffs project be broadened out at Deepwater to include an organic chemical industry.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 87.)

By Mr. Harlan:

Q. By the way, at this point, what is the relation, Mr. du Pont, between organic chemical manufacture and dyestuffs manufacture?

A. Dyestuffs manufacture is a branch of organic chemistry.

Mr. Harlan: Next, if your Honor please, I offer du Pont Exhibit No. 88 which is a report of the Development Department of plant utilization dated November 23, 1917.

In this connection I refer to the material under the caption "Dyestuff and Allied Organic Industries" on the first page, particularly the second paragraph which refers to the setting up at the Deepwater plant of a dyestuff unit or group.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 88.)

By Mr. Harlan:

Q. Mr. du Pont, do you recall whether, following the end of hostilities in World War I, the United States Government took any position or gave any encouragement to [fol. 1964] the establishment of a dyestuff industry in this country?

A. They did.

Mr. Harlan: I ask that the Court take judicial notice of a message of the President of the United States, President Wilson, in 1919, with reference to the then existing tariffs, and in particular to the bearing upon the establish-

ment of a dyestuff industry in this country of then pending tariff legislation.

I would like to read an excerpt from this. No doubt it will go into the record, but I will supply the Court with a full copy of the message in addition.

This is from a statement of President Wilson to the Congress in 1919, and I read:

"There is, fortunately, no occasion for undertaking in the immediate future any general revision of our system of import duties. No serious danger of foreign competition now threatens American industries. Our country has emerged from the war less disturbed and less weakened than any of the European countries which are our competitors in manufacture. Their industrial establishments have been subjected to greater strain than ours, their labour force to a more serious disorganization, and this is clearly not the time to seek an organized advantage. The work of mere reconstruction will, I am afraid, tax the capacity and the resources of their people for years to come. So far from there being any danger or need of accentuated foreign competition, it is likely that the conditions of the next few years will greatly facilitate the marketing of American manufactures abroad. Least of all should we depart from the policy adopted in the Tariff Act [fol. 1965] of 1913, of permitting the free entry into the United States of the raw materials needed to supplement and enrich our own abundant supplies.

"Nevertheless there are parts of our tariff system which need prompt attention. The experiences of the war have made it plain that in some cases too great reliance on foreign supply is dangerous, and that in determining certain parts of our tariff policy domestic considerations must be borne in mind which are political as well as economic. Among the industries to which special consideration should be given is that of the manufacture of dyestuffs and related chemicals. Our complete dependence upon German supplies before the war made the interruption of trade a cause of exceptional economic disturbance. The close relation between the manufacturer of dyestuffs, on the one hand, and of explosives and poisonous gases, on

the other, moreover, has given the industry an exceptional significance and value. Although the United States will gladly and unhesitatingly join in the programme of international disarmament, it will, nevertheless, be a policy of obvious prudence to make certain of the successful maintenance of many strong and well-equipped chemical plants. The German chemical industry, with which we will be brought into competition, was and may well be again, a thoroughly knit monopoly capable of exercising a competition of a peculiarly insidious and dangerous kind."

By Mr. Harlan:

Q. You have referred to some of the practical problems [fol. 1966] that you have encountered in building up your dyestuffs industry. Can you tell me about how much money the du Pont Company put in to its dyestuffs venture before its profits, before profits began to exceed accumulated losses?

A. Well, I don't think anybody could figure quite exactly, but it was of the order of \$30,000,000. I don't know what date that was, but that sticks in my mind.

Q. Now, the next branch of chemical fields in the five-industry plan as adopted by the Executive Committee and recommended by the Development Department was the paint and varnish industry. Are you familiar with the train of events that took place there, how it got started, and what finally eventuated in that field?

A. Reasonably so.

Q. Will you please state what you can recall on that subject?

A. We had this lacquer business at Parlin, New Jersey, which was too small to be worth while. It is quite evident, to go into the paint business you ought to have all branches, paint, varnish, lacquers, linseed oil, pigments, and what-not, and maybe paint brushes. But that was clear to us, that we would have to go in in a well rounded way, and we also had an opportunity to buy the Harrison Brothers Paint Company who also made some varnishes, and they had at that time some sulphuric acid capacity. We wanted that capacity for explosives.

What small amount it was, it would save building that



much additional plant by us. We had an opportunity to buy them, and we bought them out, as a first material step, I think.

We found that they had an interest in, I think it was called the Beckton-Chemical Company, and I think the other half was owned by Cawley-Clark. Cawley-Clark and Beckton made pigments. That is the coloring matter or the [fol. 1967] grit in the paint. We call it grit, but that is the solid part of paint.

And to have a well rounded industry you have to make your own pigments, too. We acquired them, and that gave us an interest in the paints and varnishes, and Beckton and Cawley-Clark which we consolidated with right away.

There was another little varnish company up in New England and New York which made a specialty of varnish for furniture which was tailor-made for that job, and they were highly successful, and had a highly successful sales organization, and we didn't have anything competitive with that at all, so we bought them out, too.

The lithopone which was a brand new white pigment had come in, and when we got into this Beckton Company, we added that capacity. Then I think later on we got into some varnish for automobiles, and up in the vicinity of Detroit and Chicago—

Q. That was later on?

A. Much later on.

Q. I am interested in this, the state of this at the end of 1917, at the moment.

A. Well, I think that that was the Harrison purchase, about that time, and Beckton and Cawley-Clark.

Q. Now, to go back for a moment, what relation was there between varnish which you say was the first line of exploration that you undertook, and the lacquer that you were already making? What is the relation in the manufacture of the two?

A. The finished product looks somewhat alike, but the material they are made of is very, very different. Lacquers are made with a volatile solvent, nitro-cellulose, and varnishes are a mixture of gums, linseed oil, which is a solid, and solidified not by evaporation, but by oxidation, but by [fol. 1968] oxygen from the air, and consequently takes quite a while to dry.

Lacquers dry quickly, varnishes slowly, and they have different properties besides that. There is a great deal of the idea of having tailor-made materials for what the user wants to accomplish, and that is one of them.

Mr. Harlan: On this subject, if your Honor please, I now offer du Pont No. 87—it is already in, I beg your pardon, so I simply refer to it; I refer to du Pont 87 which is a report of the Development Department dated May 15, 1916, and which shows on page 2 that the department recommends the manufacture of varnish at the Parlin plant, as a logical new line for Parlin, and then over on page 4 this statement is made with reference to the possible expansion of such a varnish endeavor to include paints.

“From the consumer’s standpoint, and therefore from a sales standpoint, paints and varnishes go together, and paint and varnish manufacture are therefore frequently combined. The combination of these two kinds of manufacture is also to a extent logical from the manufacturing standpoint. We are not at this time submitting any proposition in respect to paint manufacture, but attention is called to the probability that paint manufacture should be kept in mind and may be proposed at a later date as a further extension of the manufacturing industries.”

Then I refer also, your Honor, to what has been marked Government’s Exhibit 111, which is a report of the Development Department to the Executive Committee, dated [fol. 1969] August 11, 1916; and simply call attention to page 9 which refers to this subject of paints wherein it is recommended that both paints and varnishes should be manufactured at Parlin.

Then I also refer in that same report to another page—I am sorry—on page 6, which refers also to the possibility in connection with the development of a rounded paint industry, that the manufacture of pigments and of chemical colors might be added.

And then, finally; I offer du Pont No. 89, which is a report of the Development Department to the Executive Committee dated May 1, 1917, recommending the purchase of the so-called Cawley, Clark & Company.

Q. Cawley, Clark and Company made what, in relation to paints, Mr. du Pont?

A. Pigments.

Q. Pigments?

A. Yes, sir.

Q. The Beckton made what?

A. Beckton white, which was a white pigment at that stage.

Q. Was that called Lithopone sometimes?

A. Yes, sir.

Mr. Harlan: Next we offer du Pont No. 90, if your Honor please, which is an extract of the Executive Committee minutes dated Aug. 31, 1917, which relates to the Bridgeport Wood Finishing Company.

Q. That company made what?

A. Varnish for interior work, I believe.

Q. A line of varnishes?

A. A line of varnishes, yes.

Mr. Harlan: Now, the next subject recommended in this so-called five industry plan was the field of water soluble chemicals and acids and so forth.

Q. Is that field sometimes known as the heavy chemical field?

A. Yes, I think that is a better name for it.

[fol. 1970] Q. What do you mean by heavy chemicals as distinguished from other kinds?

A. Well, it depends on the shipment, carload lots, I think.

Q. What was done by the du Pont Company prior to the end of 1917, or prior to the end of the war in relation to the development of a heavy chemical industry in that early period, do you recall?

A. Of course, we were in the heavy chemical industry, making sulphuric acid and nitric acid which were the great tonnage articles of the industry, and they with quite a number of others, odds and ends.

I am trying to think where it was that lactic acid was made.

Mr. Harlan: Well, I refer in that connection on that subject again to du Pont No. 88, in which the stage of the investigation of the water soluble chemical acids field,

and so forth, is summarized on pages 1 and 2, and similarly I refer to the same exhibit, du Pont 88, with reference to the next field of the so-called five industry plan, industries relating to cellulose, and cotton purification, to show what had been done by the du Pont Company in exploring the possible activities in that field of endeavor.

The final one of the five industry plan, the so-called vegetable oil line, did you ever get into that?

A. No.

Q. Never. Nothing ever became of that one?

A. No.

Q. Having gone over these various fields again, let me ask you what it was that underlay du Pont's purpose in deciding to choose dyestuffs for example as against something else as a useful line of endeavor for the company to get into after the war ended? What were the circumstances?

A. Our past experience, and personally we thought that [fol. 1971] could be improved on, and to reduce their cost while improving their quality. That is what our record was, and that is what we were after. That would give us plenty of outlets to sell, with quality and price.

Q. Was it any part of your consideration, in connection with any of these fields, to obtain, or endeavor to obtain a captive market?

A. No, sir.

Q. Which one of these lines of endeavor, dyestuffs, paints and varnishes, as you have described them, and so forth, which ones of them, if any, represented useful products in the automotive field?

A. Well, I would guess that they use—I know they used to use varnish. I positively know they used Duco when it came out.

Q. I am talking about the time 1917, of the developments you have told us about here, which of these fields, the dyestuffs, paints and varnishes, or the Harrison line, which one of them was useful in the automobile field?

A. I don't know. I don't know that they had much of any use. You mean what the automobile people used them for?

Q. Yes. Were they useful in the automobile field?

A. Well, I suppose that paints and varnishes were used somewhere in it, but we did not come into the picture at

all. We were not looking for customers, but were trying to get producing plants and improve on plants.

Q. Did you happen to know whether the Harrison Company which you purchased, in connection with going into paints, sold to any automobile companies any of its products?

A. I don't know *know* what their sales outlets were at all.

Mr. Harlan: Now, if your Honor please, following the course suggested, I am going to ask, with your permission, [fol. 1972] Mr. Irene du Pont to step down and Mr. Pierre du Pont to take the stand again, so that we can carry on:

(Witness withdrawn.)

PIERRE S. DU PONT, recalled as a witness on behalf of the Defendants, having been previously duly sworn, was examined and testified further as follows:

Direct Examination (Continued).

By Mr. Harlan:

Mr. Harlan: Now, I am going to embark again with Mr. du Pont on a line of evidence which goes to the Government claim that the motive for du Pont's General Motors investment was to capture the market of some kind for du Pont products, and I want to trace the development from the beginning.

Q. Mr. du Pont, when did you first personally become the owner of any General Motors stock?

A. About the year 1914.

Q. Do you remember what the approximate size of your holding was initially?

A. Around 2,000 shares. I believe I purchased a smaller quantity than that at first, then it was raised to about 2,000.

Q. Can you recall the circumstances under which you made your first purchase of General Motors stock?

A. It was entirely on the recommendation of Mr. John Raskob. He was very enthusiastic about the motor industry as a coming development in this country, and the possibility of General Motors selling its cars. It was through him that I made the first investment.



[fol. 1973] Q. Was that a personal investment for your own account?

A. Yes, personal, entirely.

Q. Had you, at the time in 1914, when you first purchased General Motors stock, met Mr. Durant?

A. No, I had not met him.

Q. Do you happen to know at the time Raskob interested you in buying General Motors stock whether he had met Durant? Do you know?

A. I am not certain, but I believe not.

Q. Did you at the time you made your investment, have any expectation, you, yourself, of becoming active in the affairs of General Motors?

A. No, I did not.

Q. Do you know whether Mr. Raskob had, based on your conversations with him?

A. I had no knowledge of that, no.

Mr. Harlan: I offer at this point, if your Honor please, du Pont 37, which should be in your volume 1, which is a letter dated February 12, 1914 from Mr. Raskob to a gentleman named Henry P. Scott, Wilmington, Delaware, regarding the General Motors stock and the prospects as Mr. Raskob saw them at that time.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 37.)

Mr. Harlan: Next I offer du Pont No. 38, which is a similar letter from Mr. Raskob dated February 28, 1914, to a gentleman named William A. Brady, regarding Mr. Raskob's views as to General Motors stock being a good investment.

(Said document as offered and received in evidence was marked du Pont Exhibit No. 38.)

[fol. 1974] Mr. Harlan: Next I refer to Government's Exhibit No. 114, which contains a tabulation of Mr. Pierre du Pont's personal holdings of General Motors stock, beginning with this early purchase that he has described in 1914 down to the end of 1917.

Q. When you thus became an investor in General Motors, did you learn something about the background of the company, how General Motors had come into being?

A. Not immediately. I only knew General Motors as a market investment.

Q. Later on, did you become acquainted with some of the history of General Motors?

A. I did, yes, quite soon after.

Q. Can you state, without too much detail, what you learned as to the origin of General Motors, and how it had been formed, and so forth?

A. I learned that General Motors was a combination of Buick, Cadillac, Oakland and Olds cars which I had not known before, and that the combination called General Motors Corporation had been organized by Mr. Durant and associates, and had been carried on since 1908.

Q. Up to that time, had you had occasion to meet Mr. Durant in any connection?

A. Not then, no.

Q. Did this investment at that time lie in any different shape in your mind or in your investment portfolio than any other personal investment you had?

A. The same as any stock market investment would have been.

Q. Did you learn anything at the time you are talking about as to the existence of some kind of a voting trust in General Motors, in relation to bank borrowings that it had to make?

A. That came a little later.

[fol. 1975] Q. Well, could you tell us what you learned about that?

A. That resulted from a meeting with Mr. Kaufman, who was president of the Chatham & Phenix National Bank in New York, of which I was a director.

Mr. Kaufman told me that General Motors Corporation was about to be reorganized, on account of the lapse of an investment agreement and trust in which the stock of General Motors had been trusteeed and operated by a committee of Boston bankers who had loaned money to General Motors.

Mr. Durant, who was then president of the company, or had been, retired during that interval, which was about five years, and his place was taken by Mr. Nash, who had taken up the position of president and was operating the company.

Q. Who was it that told you this, Mr. du Pont?

A. This was told to me by Mr. Kaufman, and he continued then to say that a meeting was to be held shortly in New York to consider General Motors affairs; that the investment trust having run out, there was to be a meeting to propose a new directorate, the annual meeting being in November; and that that meeting had been harmoniously arranged, that Mr. Durant and the Boston backers were in harmony, and he invited me to attend the meeting.

Q. May I interrupt you just a second? You referred to an investment trust.

A. I shouldn't have said that. It was a deposit of the stock.

Q. A voting trust?

A. Yes, a voting trust.

Q. Did you accept Mr. Kaufman's invitation to go to this meeting?

A. Yes, he invited me and also Mr. Raskob to attend.

Q. Can you place about the time of this, Mr. du Pont—[fol. 1976] I mean the date, the period, the year?

A. That was about September, I think, of 1915.

Q. Where was the meeting?

A. I think it was at the Chatham Phenix Bank, but it was in New York somewhere.

Q. Would you state, if you will, what transpired at the meeting?

A. At the meeting we met the directors who were present. I think none of them I had ever known before—maybe one or two I did.

Instead of a harmonious meeting as Kaufman had expected to find, the two factions were at loggerheads; the Boston bankers on one side, Durant on the other. They failed to come to an agreement as to what the new directorate slate would be.

Q. What happened? Did it break up?

A. Well, after much conversation, Mr. Kaufman drew me aside. Then we returned to the meeting and it was announced that if I would name three neutral directors for the company, they would make up the slate from that, each faction having seven directors and I would name three.

In the meantime, they had appointed me chairman of the meeting.

Q. You say name three neutral directors for the company. What company are you referring to?

A. General Motors Company, the new slate for directors.

Q. Did you follow that suggestion?

A. That was followed out.

Q. And make the nominations?

A. Yes.

Q. Whom did you nominate?

A. Mr. J. A. Haskell, who had been vice president of the du Pont Company for many years and was then in semi-retirement on account of others having taken over his [fol. 1977] previous duties. He was a resident of New York, and conveniently at hand for meetings.

Then Mr. Raskob; and my brother-in-law, Mr. Lammot Belin, who had been engaged in industry, but there was no particular reason for naming him except I knew he would be a neutral in the outfit.

Q. When you say that you nominated these gentlemen, what do you mean by that?

A. I proposed them as the three neutral directors which they asked me to appoint.

Q. Pursuant to this suggestions of Mr. Kaufman's?

A. That is right. The suggestion was made by the meeting. I don't know whether Mr. Kaufman made it.

Q. Did you meet Mr. Durant at that meeting?

A. I think that was the first time I met Mr. Durant.

Q. The first time?

A. Yes.

Q. Following that meeting was the slate of directors suggested by this meeting in New York that you have just referred to, was that proposed to the annual meeting of the General Motors stockholders?

A. It was, yes.

Q. What happened? Was the slate elected?

A. They were elected directors.

Q. Including yourself and the three other gentlemen whom you suggested as neutral directors?

A. That is right, yes.

Q. And at the organization meeting of the board, what happened as regards the choice of officers of the board? I don't mean officers of the company. I mean chairman of the board.

A. I was elected chairman of the board and Mr. Nash

was re-elected president. I don't remember the other officers.

Q: When Mr. Kaufman invited you and Raskob to attend this meeting, did he make any suggestion to you that [fol. 1978] as a result you might be elected a director of General Motors?

A. No, he did not.

Q. Or did he make any suggestion that Raskob might be elected as a director of General Motors?

A. No. That came about during the meeting when our names were proposed.

Mr. Harlan: Your Honor, I now refer to Government Trial Exhibit 116. I have a loose copy of that here so it can be seen by your Honor. I would like to read it, with your Honor's permission.

This is a letter from Mr. Pierre du Pont dated September 17, 1915, to J. A. Haskell, Esquire.

By Mr. Harlan:

Q. J. A. Haskell was one of those whom you suggested as a neutral director?

A. He was.

(Said Government's Exhibit No. 116 was thereupon read to the Court by Mr. Harlan.)

Mr. Harlan: Next I refer, and I think I need not bother your Honor about handing you a copy, to Government's Exhibit No. 117, which shows that following the annual stockholders' meeting of General Motors in the fall of 1915, the new board was elected as proposed by this informal meeting which included Mr. du Pont and the other gentlemen whose names have been mentioned here.

By Mr. Harlan:

Q. Do you recall, Mr. du Pont, whether following your election to the Board of General Motors under the circum- [fol. 1979] stances that you have just mentioned, any invitation was extended to you and Raskob to become members of the General Motors Finance Committee?

A. Yes, that invitation was given to us.

Q. By whom?



A. By Mr. Durapt.

Q. And what was your response to the invitation?

A. My response, and I think Raskob's, too, was that we were so bound up with the du Pont Company we could not spend the time to look after General Motors affairs.

Q. And you declined?

A. I declined the invitation, yes.

Q. Is that true, also, of Mr. Raskob?

A. Yes.

Mr. Harlan: In that connection I now offer du Pont Exhibit 39, which is in your Honor's book. This is a letter from Mr. Pierre du Pont to J. J. Storrow, Esquire, Boston, Massachusetts.

(Said document so offered and received in evidence, was marked du Pont Exhibit No. 39.)

Mr. Harlan: Q. Who was Mr. Storrow, Mr. du Pont?

A. He was one of the Boston bankers that had been interested in General Motors affairs.

Q. And a member of the Board of General Motors?

A. Yes, a member of the Board.

Mr. Harlan: This is dated October 26, 1915:

"My dear Mr. Storrow:

"As you have probably learned from Mr. Raskob, he and I, with Mr. Lamot Belin, are arranging to visit [fol. 1980] Detroit on Wednesday of next week. After this it might be well to have another meeting on the Chairmanship of the Finance Committee."

By Mr. Harlan:

Q. Whose Finance Committee are you referring to there?

A. That is the General Motors Finance Committee.

Mr. Harlan: (Continuing):—

"I hope that the suggestion of Mr. Wiggin will eventually meet with the approval of yourself and Mr. Nash; but it is quite necessary that we all be candid in our expressions of approval, or disapproval. Both Mr. Raskob and I feel that we have not sufficient time at our command to warrant accepting your suggestion as to the Chairmanship."

By Mr. Harlan:

Q. Did that also go for accepting an invitation to membership on the Finance Committee as distinguished from the Chairmanship?

A. I didn't quite gather what you read there.

Q. This letter states that "both Mr. Raskob and I feel that we have not sufficient time at our command to warrant accepting your suggestion as to the Chairmanship of the Finance Committee."

A. Yes, that is the same invitation as to become Chairman.

Q. My question is simply did you also decline membership on the Committee as distinguished from the Chairmanship?

A. Right.

[fol. 1981] Mr. Harlan: (Continuing):—

"We will hold ourselves ready to cooperate in any plan that may be agreed upon as best for the interests of the General Motors Company."

By Mr. Harlan:

Q. At this time did you have any other interest in General Motors other than your interest as a stockholder through these personal investments?

A. That is all.

Q. Was there any connection of any kind or thought in your mind of any kind of any possible connection between General Motors and the du Pont Company?

A. None whatever.

Q. When you and Raskob became members of the General Motors Board in the fall of 1915, what did you find as to Durant's position in the company?

A. Well, Durant had ceased to be president, as I said before, and was not re-elected president at the November meeting. Therefore, his position was quite the same as it had been.

Q. The president continued to be Mr. Nash?

A. Mr. Nash, yes.

Q. The banker's representative?

A. Yes, but it was rumored about that time that Mr. Durant was coming back and taking charge of the General

Motors Corporation, and that became a reality during the year 1916.

Q. 1916?

A. Yes.

Q. Do you recall what the rumors were as to how he was proposing to get back into his former position in General [fol. 1982] Motors, how he was going to accomplish that? Do you recall the formation of the Chevrolet Company?

A. Oh, that was a different thing. He was going to get back in the General Motors Company, and he proposed, had in his mind, that he would be able to go in the General Motors through the Chevrolet Motor Company, which he had organized.

Q. The Chevrolet Motor Company at that time was not part of General Motors at all, was it?

A. No, it was organized by Durant during the time the Boston bankers were in charge of General Motors, and it was organized to manufacture a car in competition with Ford. The General Motors had no car of that size and price.

It was an entirely separate venture by Durant personally. Then after having done that, he increased the stock of Chevrolet Company and used it for the purchase of General Motors shares, thereby getting control of the General Motors Corporation itself.

Q. That is what I intended to ask you.

A. I called it General Motors Corporation. It was General Motors Company.

Q. At that stage?

A. Yes.

Q. In connection with what you have just said as to Durant offering to buy General Motors stock for Chevrolet stock, was any offer of that kind made to you and Raskob, to exchange your stock?

A. Yes, I think there was a general offer made, and it was made to us, I know, to exchange our General Motors stock for Chevrolet.

Q. Do you recall what attitude you and Mr. Raskob took at the time that suggestion was first made to you that you could exchange your General Motors stock for Chevrolet? [fol. 1983] A. I took the position that as a neutral man in the contention between the two sides, the Boston people

and Durant, it was not fair for me to enter on Durant's side in such a matter, that is, joining his Chevrolet proposal, so I refused to make the exchange. Mr. Raskob did likewise.

Q. Did there come a time when you changed your position on that and accepted the exchange?

A. Later on it became evident that Durant was in control and the Boston people had retired. I think they retired from the Board, and that was notice that they had given up their thought of control. Durant was in control, and he renewed the offer to exchange Chevrolet stock for General Motors, and we accepted it at that time.

Mr. Harlan: I think I have just time, if your Honor please, before the recess to put in the documents that I would like to introduce at this point.

First, I simply refer, to keep the chronology straight, to Government's Exhibit 118, which is the government document that simply shows the formation of this plan by Chevrolet that Mr. du Pont has described, and the offer by Chevrolet to exchange its stock for General Motors stock.

Then I offer as our exhibit, du Pont Exhibit No. 40, which will be in your book, if your Honor please, a letter from Mr. P. S. du Pont to Mr. L. G. Kaufman, dated March 21, 1916.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 40.)

By Mr. Harlan:

Q. Mr. du Pont, is that Mr. Kaufman the same Mr. [fol. 1984] Kaufman that you have been referring to in your previous testimony?

A. The same one, yes.

Q. It reads:

"My dear Mr. Kaufman:

"Owing to Mr. Raskob's absence from the office I have only today found opportunity to talk with him about your offer."

That refers to the offer of exchange?

A. Yes.

Q. (Continuing reading):

"We both feel hesitancy in accepting an offer that is so generous, in view of the time that has elapsed since the exchange of stock was originally suggested to us; however, apart from this feeling, neither of us is yet convinced that we would be taking a proper step in making this exchange, in view of our relations to the General Motors Company and its stockholders in general. On that account, we have decided not to accept your offer. Mr. Raskob asked me to thank you on his part for your offer, as I do for myself, personally."

The reason for your turning down the offer as you have heard read in that letter being what, Mr. du Pont?

A. My position of neutrality between the Boston people and Mr. Durant.

Mr. Harlan: Next I refer to Government's Exhibit No. 121, which I will read, your Honor. It follows in sequence [fols. 1985-1986] to the last one, this being a letter from Mr. Durant to Mr. Raskob, and reads:

"Accept my thanks for your kind letter of the 10th, just received.

"I am in position, as Syndicate Manager, to continue until December 1st next the offer previously made, and you can consider this a firm commitment to exchange—"

and so forth.

Next is Government's Exhibit No. 119, which is a letter from Raskob to Mr. Lammot Belin.

By Mr. Harlan:

Q. He was one of the three so-called neutral directors that you had suggested?

A. He was.

Q. This is a letter from Mr. Raskob to Lammot Belin in May of 1916, at which time Mr. Raskob accepted the offer of exchange. By May of 1916 had you received any definite information as to whether this two-faction situation no longer existed?

A. By May 1916, I think we knew it at that time.



Mr. Harlan: Finally your Honor, I refer to Government's Exhibit No. 122.

[fols. 1987-1989] By Mr. Harlan:

Q. Did Mr. Durant accept your suggestions that he might want you to resign as a director?

A. No, he did not.

[fol. 1990] PIERRE S. DU PONT, a witness on behalf of the Defendants, having been previously duly sworn, resumed the stand and testified further as follows:

Direct Examination (Continued) by Mr. Harlan:

Q. The General Motors Company of which you became director, you and Raskob became directors in the fall of 1915, I think you said yesterday was called General Motors Company?

A. Originally, yes.

Q. With accent on the Company?

A. Yes, sir.

Mr. Harlan: I now, if your Honor please, offer du Pont No. 41.

The Court: 41 will be in volume 1.

Mr. Harlan: It should be in volume 1, if your Honor please.

The Court: I have it.

Mr. Harlan: Which, your Honor will see, is a letter from the General Motors Company Board of Directors to the stockholders of that company, dated October 16, 1916, outlining a plan of recapitalization of the company, which was to create a new company called General Motors Corporation, with a capital of some one hundred million dollars, representing an increase in the capital over the old company of some seventy million dollars, and then the terms of an exchange of the stock of the new company for the stock of the old company, and eventually the taking over of the assets of the company by the General Motors Corporation.

[fol. 1991] (Said document so offered and received in evidence was marked du Pont Exhibit No. 41.)

By Mr. Harlan:

Q. That followed that reorganization, didn't it, Mr. du Pont?

A. Yes, that is right.

Q. And I think it elsewhere appears in the record, or if not, it will appear in the record, that the taking over of the assets by the corporation from the company was effective as of August 1, 1917?

A. Yes.

Q. Now, Mr. du Pont, following your election, under circumstances that you described yesterday as a member of the Board of General Motors Company, and I shall use the word Company rather than Corporation from here on it, because it is easier to use—did you and Raskob see more of Durant than you had theretofore seen?

A. Yes, sir, we did.

Q. Did you have any discussions with him, either at Board meetings or apart from Board meetings relating to the business of the company?

A. Yes, he talked very freely about the business of the company.

Q. With reference to any particular aspect of the company's problems or business?

A. Yes, he went in particularly, into general statements, financial and operating both; he talked very freely.

Q. Did Mr. Durant consult you and Raskob from time to time about the financial problems of the company?

A. Yes, in that we knew what he was planning to do in the way of expansion, and the need of money.

Q. Did there come a time in 1917 when you and Raskob became members of the Finance Committee of the General Motors Company?

A. Yes, I believe it was in 1917.

Q. How did that come about?

A. Well, we had been invited to become members of the [fol. 1992-1994] Finance Committee earlier, but refused on account of our duties with the du Pont Company. By the time of the second invitation, the du Pont load had eased up quite a little, and we thought it would be a good thing to take on the finance committee of General Motors.

Q. At whose invitation or whose suggestion was it that

you and Raskob should become members of the Finance Committee of General Motors Corporation?

A. Mr. Durant.

Q. Now, did your going on the Finance Committee of General Motors Corporation have anything to do with the du Pont Company?

A. No, it had nothing to do with it. The du Pont Company was not involved in it in any way.

Q. You and Raskob still held only your personal investment interests in General Motors Corporation?

A. That is right.

Mr. Harlan: I now offer, if your Honor please, du Pont No. 42 which should be in your Honor's first volume, which is a letter from Raskob to Durant dated January 24, 1917.

(Said document so offered and received in evidence, was marked du Pont Exhibit No. 42.)

By Mr. Harlan:

Q. That was prior to you and Raskob going on the GM Finance Committee?

A. January 24, 1917?

Q. January 24, 1917.

A. Yes, I believe it was.

[fol. 1995] Next I offer, if your Honor please, du Pont Exhibit No. 43 which should be the next document in your book, which is a letter from Raskob to Durant, dated January 30, 1917.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 43.)

Mr. Harlan: The first paragraph reads:

"Dear Mr. Durant:

"In order to secure a better and more concentrated organization, and incidentally avoid the excessive cost in the way of duplicate income taxes which are now becoming quite heavy, and to clarify the atmosphere generally, I think it would be a very good plan, and I suggest that the General Motors Corporation consider seriously the matter of purchasing the properties of the Chevrolet Company."

By Mr. Harlan:

Q. The Chevrolet Company, Mr. du Pont, was the company you said yesterday that Durant had organized to make this small car, Chevrolet car, to compete with Ford?

A. The same company, yes.

By Mr. Harlan:

Q. Do you recall whether during this period following your going on the Finance Committee of the General Motors [fol. 1997] Corporation, any suggestions were made by Durant that you and Raskob and other associates of yours should buy more stock in General Motors?

A. Yes, Durant became quite eager to have the Wilmington people, as he called it, take more stock and more interest in the General Motors Corporation.

Q. Did he say why?

A. I think he liked the association, thought it was a good association for him to make.

Q. Was there any suggestion at this stage by Durant or anyone else that the du Pont Company itself should take an interest in General Motors?

A. No, he referred to the Wilmington people as individuals, some of whom were du Pont Company stockholders; others not.

Mr. Harlan: I next offer, if your Honor please, du Pont Exhibit No. 45, and that document, as your Honor will note, at the top defines Durant as "W. C. Durant, Associates or Nominees," and defines du Pont as "P. S. du Pont, Associates or Nominees," and your Honor will see without reading all of the detail that it evidently contemplated some kind of a partnership arrangement between du Pont individuals and Durant in the purchase of stock in the General Motors Corporation.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 45.)

Mr. Harlan: The paragraph in which I am particularly interested is on the second page, if your Honor please, the first new paragraph, wherein it is said:

"The purpose of this plan is to interest du Pont"—and by definition that means du Pont individuals—

"in Chevrolet-General Motors in a substantial way [fol. 1998] so that du Pont will assume responsibility for financial management of Chevrolet-General Motors affairs thus making it possible for Durant to give entire time and attention to operating end."

Perhaps I should also say that this memorandum, though unsigned, was written by Mr. Raskob.

By Mr. Harlan:

Q. Do you recall anything about the details of this proposal, Mr. du Pont?

A. No, I think there were very few details concerning it. Raskob wrote the report, and as a throw-down proposition, but it never came to fruition.

Q. It never came to fruition. Now, we are at the fall of 1917, and it is already in the record that on December 20th, 1917, a report was submitted by Mr. Raskob to the Finance Committee of the du Pont Company, proposing a du Pont Company investment in General Motors.

Do you recall that?

A. I recall that, yes.

Q. Prior to the submission of that report to the Finance Committee did you have any conversations with Mr. Raskob with respect to such a proposed company investment?

A. Yes.

Q. Would you please state those conversations as fully as you can recollect them?

A. Well, Raskob prepared the original report, and while he was doing it, or shortly after, he showed me the results and proposed to me that I should take on the promotion of such a plan with the du Pont directors.

He believed it was a very good investment for du Pont, and gave the reason that the du Pont Company needed [fol. 1999] an investment of good earning power and good dividend power in order to supplement its current dividend. Du Pont had lost the military business, or we knew it would be lost very shortly, and in the interim between the earnings of the military business and what might come after that, we needed something to support the dividends of the du Pont Company.

The companies that we had already invested in—that is in the Fabrikoid and so on—were not yet bearing fruit to



any extent, nothing like what the du Pont Company would need to maintain its dividends, but General Motors was already in full swing. They had established a good line of cars, and they were very popular, and there was every promise that their dividends would continue at the then rate which was good, or maybe would be higher. That was the attractive point to Raskob and it also became my idea that it was a very good investment, and one that could not be duplicated, so far as we knew, anywhere else.

The General Motors Corporation and the industry itself had not advanced to a general acceptance. It was regarded as being something very risky, and consequently the stock was selling at about par at that time, which was a very good investment apparently from the actual earnings, but the public hadn't learned to believe that, so that the investment that was possible to make was extremely interesting, and that was the starting of the proposition to the du Pont Company.

Q. Now, it appears that the report that you have referred to was presented to the Finance Committee of the du Pont Company on December 20th, followed by a joint meeting between the Finance Committee and the Executive [for 2000] Committee and those meetings in turn being followed by a Board meeting of the du Pont directors.

Did you attend all of those meetings, Mr. du Pont?

A. I did, yes.

Q. Without regard to drawing distinctions between various meetings, can you inform us, please, to the best of your recollection, and as fully as possible, what the discussion was, and the debate was in those meetings concerning this proposed investment?

A. Well, the discussion was entirely on the subject of whether it was an appropriate investment for du Pont to make.

I realized from the very beginning that there would be great opposition on that account, that the motor industry had nothing to do whatever with the du Pont Company affairs. We were not engaged in that kind of industry, the mechanical part of it, and the motor people were not interested in chemical business, so we were just about as far apart as any two corporations could be, and the problem before Raskob and me was to get the directors into our

way of thinking on the whole subject, that they were making a good investment and had nothing to do with the du Pont Company, but the investment would have to stand on its own legs, and to my surprise a great many of the directors were very easily persuaded to our point of view, but there were quite a number that were not so persuaded until after thorough discussion had been made both in the committee and in the Board meetings.

Q. What argument was used by Raskob or by you or both of you to overcome the objection that this investment in General Motors was too far afield of the business of the du Pont Company?

A. Everybody acknowledged that that was the fact; [fol. 2001] that there was no connection whatever between the two companies in their business lines, but the connecting link which we felt important was one financial.

We had been through a great many financial arrangements in relation to the military business of the du Pont Company, and Durant needed financing or financial management in his corporation. He acknowledged that he wanted that, and he was very glad to take on du Pont interest to run that part of his business.

The proposition was that the du Pont Company would come in and take off Durant's shoulders the burden of financing General Motors Company; that would be their position in the General Motors Company, their part in the whole business. Durant would be the operating man and du Pont would look after the financial affairs, which Durant acknowledged he was weak in.

Q. Did that argument carry the day with all of the directors of the du Pont Company?

A. Well, yes, it did, excepting, I think, there were only three directors who voted against the proposition out of some, I think, twenty-three.

Mr. Harlan: I will put in the minutes in just a moment.

This is Government Exhibit 124, if your Honor please. I have a loose copy here. This is the so-called Raskob Report.

I propose to read a considerable portion of that report, your Honor, and also to interrogate Mr. du Pont about it, since it has been described by the Government the other day to be one of their key documents.

My purpose in reading the report is to subject it to scrutiny from the standpoint as to whether it evidences a purpose to make the kind of an investment that Mr. du Pont has described or whether it evidences what the Government [fol. 2002] claims, a scheme to go out and secure captive markets for du Pont.

I ask your Honor to bear that thought in mind as I go through this report.

First of all, on page one, the report is dated December 19, 1917, addressed to the Finance Committee, from the Treasurer.

The opening paragraph is:

"I recommend that our Company purchase Chevrolet Motor Company and General Motors Company common stocks in accordance with plan herein outlined and with a view to bringing this formally before our company I have asked for a special meeting of the Finance Committee to be followed as soon as possible by a special meeting of the Board of Directors to consider the following resolution:

" 'RESOLVED that the President and Treasurer of this Company be and they are hereby authorized to purchase up to \$25,000,000.00 worth of the common stocks of the Chevrolet and General Motors Companies paying for the Chevrolet Motor Company common stock an average price not to exceed \$115.00 per share and for the General Motors Company common stock an average price not to exceed \$95.00 per share; ' "

By Mr. Harlan:

Q. At this point, Mr. du Pont, let me ask you whether it was contemplated at the time of this proposal for a company investment in General Motors, whether it was contemplated that there would be a merger between the Chevrolet [fols. 2003-2011] and the General Motors Companies?

A. Yes, that was the plan by Durant before this proposition came up.

Q. And was in contemplation at the time this recommendation was made?

A. Yes.

[fol. 2012] By Mr. Harlan:

Q. Mr. du Pont, did you hear the last sentence I read there as to the suggestion of a consolidation of the two financial divisions?

A. Yes, sir.

Q. Of the two companies?

A. Yes, sir.

Q. Do you know what Mr. Raskob was referring to there?

A. Well, that could not have been actually a consolidation; it would have been impossible to consolidate the financial divisions of two companies without consolidating the companies themselves. What he meant was that the financial organization of the du Pont company, with regard to finances would become available to General Motors Corporation.

Q. Did anything of that kind ever take place?

A. Well, we did guard the financial arrangements of General Motors Corporation.

Q. That is what I mean. You and other members of the du Pont Finance Committee went on the General Motors Finance Committee right after this. Was there any consolidation of the personnel of the two companies?

A. No, it was impossible. It could not have been done.

Mr. Harlan (reading):

"3. The du Pont Company, if the Class A stock is sold to the stockholders, will share in the profits of the industry to an extent equal to 120% on our investment and will receive fourteen percent in annual dividends thereon;"—

And I will explain that reference to Class A stock when I return to the proposed method of financing, if your Honor please.

"—or in the event of carrying Class A stock in our [fol. 2013] Treasury the dividend rate will be about 12.6% and will share in the earnings about forty-two percent and this after paying twenty million dollars war taxes.

"4. Our purchase is on better than an asset basis.

"5. Our interest in the General Motors Company will undoubtedly secure for us the entire Fabrikoid,

Pyralin, paint and varnish business of those companies, which is a substantial factor."

.. By Mr. Harlan:

Q. Will you state what discussion there was of that last paragraph that I have just read at any of these meetings that you have described where the investment was considered?

A. Well, there was no discussion whatever. It was an unimportant statement made in the record, and it had nothing to do with—

Mr. Harsha: I object to that, your Honor, stating a conclusion. He is stating a conclusion whether it is important or unimportant.

Mr. Harlan: He is answering as to his motivation.

The Court: The latter part, the expression of opinion, I sustain the objection as to that.

By Mr. Harlan:

Q. Were there any figures before any of the meetings at which the investment was considered which related to the sales of du Pont products to General Motors Company?

A. No, there were no figures.

Q. Were there any figures before any of the meetings which related to the requirements of General Motors of the [fol. 2014] products that are referred to in this paragraph 5 under "summary"?

A. No, nothing of the kind.

Q. As a director and a member of the Finance Committee of the du Pont Company who voted in favor of the investment, will you state what part the suggestions made in point 5 played in your vote in favor of the investment?

A. No part whatsoever.

Mr. Harsha: I object to that, your Honor, asking for a mental condition.

The Court: I think that is stating a fact; overruled.

By Mr. Harlan:

Q. Will you please answer the question?

A. It had no connection whatever with my opinion of the General Motors purchase or my vote. I had no information



concerning the earnings from sales to General Motors or its departments.

Q. Now, referring to your attitude or your state of mind as a director, in casting your vote, can you amplify a little more as to why it was you say that this did not play a part in your vote in favor of the investment?

A. Well, it was too extravagant a thing to consider; the whole investment of the du Pont Company in the "Fabri-koid" and so on, that General Motors might have used was so small in comparison to the very large investment that we were making, it was ridiculous to consider such a thing. It could not have had any part in our opinion.

Q. What was your objective in buying into the stock of the General Motors Company?

A. To get a good investment for the du Pont Company, that had intrinsic value on its own account.

Mr. Harlan: Now I continue with the report, the section [fol. 2015] headed "Management" at the bottom of the last page, in which Mr. Raskob suggests that ultimately du Pont Company will—

"—absolutely control and dominate the whole General Motors situation with the entire approval of Durant who, I think, will eventually place his holdings with us, taking his payment therefor in some securities mutually satisfactory."

By Mr. Harlan:

Q. Can you tell us what Mr. Durant was referring to in that paragraph, if you know?

A. Mr. Raskob?

Q. Mr. Raskob. I beg your pardon.

A. No, I don't know what he was referring to. It had no influence on the whole situation, as far as I was concerned.

Mr. Harsha: I object to that, your Honor, it is stating a conclusion, the last part.

The Court: Will you read the last part?

(Answer read.)

The Court: I will sustain the objection to the last statement.

By Mr. Harlan:

Q. Can you state with respect to your vote in favor of this investment as a director, what part the presence of Durant continuing as an active man in General Motors played in your vote in favor of the investment?

A. Well, I should not have voted for the proposition if I knew that Durant was not going to be connected with it.

Q. Why not?

A. Because he was the man we looked to to operate the company. We knew nothing of the operations of motor [fol. 2016-2017] companies, and we relied on him, and the organizations he would build, to govern that part of it. We would not have undertaken it ourselves, and as long as he was with us it was a good proposition. Without Durant we would not have taken it. I would not have voted for it.

Q. At any time in connection with the General Motors investment was there any discussion or effort made by the du Pont Company to obtain majority control of the voting stock of General Motors?

A. No, none whatever. I mean, we knew it couldn't be done.

Mr. Harlan: Now, I want to offer a number of documents, if your Honor please, the first of which is du Pont Exhibit No. 46 which is the minutes of the du Pont Company on December 20, 1917, which reads as follows:

It should be in your first book, if your Honor please.

The Court: I have it.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 46.)

[fol. 2018] Finally I offer, which should be in your Honor's book, as du Pont No. 47, a copy of the minutes of a special meeting of the Board of the du Pont Company held on December 21, 1917, at 11:15 o'clock, the attendance being listed there.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 47.)

[fol. 2019] By Mr. Harlan:

Q. Mr. du Pont, will you explain what relation the argument that you say was made to overcome the objection that the General Motors' business was too far afield from du

Pont—the argument that du Pont would have a contribution to make through its responsibility for the financial management of General Motors—what relation that argument had to overcoming the objection on the part of the majority of the directors?

A. Well, everybody present conceded that du Pont would be of great value to General Motors in the financing part of their affairs, and that was discussed and mentioned in every real discussion. Everybody took that for granted, that it would be a good thing for General Motors, and therefore a good thing for du Pont to go into.

[fol. 2020] Q. What relation did the financial management of General Motors have to the justification of du Pont making an investment in General Motors from the point of view of those who objected to making the investment?

A. To those who objected? I don't understand—

Q. To those who raised doubts about it. What was that argument directed to?

A. Oh, it was directed to the lack of connection between the du Pont Company and General Motors in regard to the operations of the company. One was strictly a mechanical corporation. The other was chemical. There was no relation whatever.

Naturally, we all thought of those companies as being separate identities in every particular. Only the financing was in common, but it was a very important part of the whole thing for General Motors and for du Pont also.

Q. Was there any discussion at any of these meetings that du Pont was going to take charge of the operations of the General Motors Company?

A. None whatever. If that were proposed, I think it might have resulted in the whole thing falling through. I shouldn't have voted for du Pont doing anything of the kind.

Mr. Harlan: Now, your Honor, I want to revert to the method of financing this investment that I promised I [fol. 2021] would come back to. If your Honor will be kind enough to turn to du Pont No. 47, on the second page at the bottom, and the third page, you will see there the proposed method of financing, and I think I can simplify it by summarizing it rather than reading it.

That original proposal contemplated the formation of

a subsidiary company of the du Pont Company, and the issuance of \$25,000,000 of stock of that new company, \$7,000,000 of which stock would be subscribed for by the du Pont Company and \$18,000,000 of which stock would be offered to the stockholders of the du Pont Company.

The provision with reference to the stock being offered to the stockholders of du Pont, namely the Class A stock, being that would be callable at any time at \$150 a share.

I might also interject, if your Honor please, that that method of financing was not adopted for reasons that I will show in a moment.

By Mr. Harlan:

Q. Mr. du Pont, can you state what the reasons were for that initial proposed method of financing?

A. The object of that was to have the stockholders of the du Pont Company subscribe to the stock that the company itself did not happen to have the funds for at that moment. They expected funds to come in, but they hadn't yet come in, and this proposition was offered, and it was thought the stockholders could not refuse it. It was paying a very high rate of interest, and it was to be redeemed at \$150, which was a very high rate.

Q. At the time the proposal was made for that type of financing, was the du Pont Company's cash position affected in any way by war business that it was doing for the [fol. 2022]-United States Government?

A. I think we had war contracts at that time, and there were payments due on them. The payments had not come in.

Mr. Harlan: Next, your Honor, to show why the method of financing was changed, I offer du Pont No. 48, which is the next one in your Honor's volume, which is a report dated January 17, 1918 from the Treasurer to the Finance Committee of du Pont, entitled "General Motors-Chevrolet Motor Stock Investment."

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 48.)

The opening paragraph and the succeeding tables showing the extent of the purchases that du Pont made of General Motors stock up to that time, pursuant to the original

authorization to invest, I continue at the bottom of page one:

"Since my report of December 19th our cash position has been materially altered through having made arrangements with the Ordnance and Navy Departments of the United States Government whereby our contracts with them have been modified to provide an advance payment in cash equal to 25% of the value of the contract in lieu of advances equal to 80% of the cost of materials assembled at our plants provided for in the original contracts. This places us in position to finance the materials, etc., necessary for the manufacture of powder called for by these contracts and releases a corresponding amount of our own capital which would otherwise have been diverted to this purpose. Under this arrangement we have received approximately \$20,000,000.00 in cash during the past few days and will receive \$12,000,000.00 additional before the 25th instant."

Then he summarizes the effect of that on the cash forecast of the company over the next few months, and following the tables that are on that page, and the following page, appears a paragraph on page three under the table:

"In view of this showing I strongly recommend that we do not at this time make an offering of the Class A stock of General Industries, Inc."—

By Mr. Harlan:

Q. Mr. du Pont, General Industries was a subsidiary that was organized for the purpose of purchasing General Motors stock?

A. I believe that was the name of it.

Mr. Harlan: (Reading)

"—as outlined in my report of December 19th. It would be a mistake to resort to such an extravagant method of financing this purchase—"

In that connection, I refer, if your Honor please, to the call provisions of the Class A stock at \$150 a share.

"—It would be a mistake to resort to such an extravagant method of financing this purchase unless the



necessity were such as to make it seem advisable, and our present necessities are not such as to warrant any such action."

Then he concludes with the recommendation that the entire \$25,000,000 of stock of General Industries, being the [fol. 2024] amount that was to be invested in General Motors stock be subscribed for by the du Pont Company, and thereafter the General Motors investment was financed entirely by the du Pont Company.

That is how that situation developed, if your Honor please.

Mr. Harlan: Now, I next offer du Pont No. 49, which is the resolution of the joint meeting of the Finance and Executive Committees of du Pont, held January 21, 1918, approving the substitute method of financing that I have just described.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 49.)

Mr. Harlan: And finally, I refer to Government's Exhibit No. 128, a loose copy of which I hand to your Honor.

It is a government's exhibit, which is a report dated March 8th, 1918, from the Treasurer of the du Pont Company to the company's Finance Committee that summarizes the purchase of the General Motors stock and Chevrolet stock, made pursuant to the original authorization, and you will see that those purchases are summarized on page 2 as translated into General Motors stock, that is, stating the equivalent of Chevrolet stock in General Motors stock.

Those purchases aggregated the sum of 250,663 shares at a total purchase price of around 24 or 25 million dollars, representing, as the report shows, 23.83 per cent interest in the common stock of the General Motors Corporation.

By Mr. Harlan:

Q. Just for the record, Mr. du Pont, so that we do not [fol. 2025] have to get any more documents than is necessary, was the merger between Chevrolet and General Motors that you have testified was originally in contemplation in fact subsequently carried through?

A. The Chevrolet—

Q. I do not want the details of it, just the facts.

A. No, not as originally planned. The Chevrolet Company was liquidated and it promptly went into General Motors.

Q. You are quite right. The point is, apart from my misuse of the characterization of the transaction, the Chevrolet Company and its assets were taken finally into General Motors Corporation?

A. The assets were taken in, and Chevrolet Company liquidated.

Q. Now, the original authorization to invest in General Motors stock was to invest up to \$25,000,000.00?

A. That is right.

Q. The records show in the case that by the end of 1919, roughly another \$25,000,000.00 had been invested?

A. Yes, sir.

Q. Can you state the circumstances under which that additional investment was made?

A. That came about through du Pont's efforts to finance the General Motors, and one of the items was to offer General Motors stock, common stock, to the common stockholders, and our company underwrote that issue. That meant \$8,000,000.00 more stock.

Q. Now, the total investment, the records show, of the du Pont Company in General Motors by the end of 1919 was roughly fifty million?

A. Yes, sir.

Q. Can you state what decision, if any, was reached by the du Pont Company at that time as to whether it would make further investment in General Motors?

A. Well, shortly after that, they purchased a comparatively small amount of General Motors stock, then they made a declaration that that would be the end of their investment, and they would take no more.

Q. And that investment was around fifty million dollars in total?

A. Yes, sir.

Q. And was considered to be the permanent investment of the company in General Motors?

A. It was at that time, yes, sir.

Q. Under circumstances that later developed, did du

Pont in fact buy further General Motors stock? Did you hear me?

The Witness: No, I did not hear you.

By Mr. Harlan:

Q. I say despite that decision that you have just described, did circumstances later develop which resulted in the du Pont Company purchasing additional General Motors stock?

A. Yes.

Mr. Harlan: I want to take up one of those subsequent episodes. I will develop the others through other witnesses, if your Honor please.

By Mr. Harlan:

Q. Do you recall the circumstances under which the stock of Mr. William Durant in General Motors was purchased in the fall of 1920?

A. I do, yes, sir.

Q. Before I ask you further questions, I wish to call attention to the allegation in paragraph 44 of the government's complaint where this charge is made:

"44. In 1920, William Durant, the organizer of General Motors, was in financial difficulty and the [fol. 207] du Pont Company undertook to acquire his stock holdings in General Motors so as to eliminate him from participation in the control of General Motors, concentrate the control in the hands of du Pont Company, and prevent interests unsympathetic to du Pont Company from acquiring an interest in and a voice in the control of General Motors. To accomplish this, the du Pont Securities Company was organized as a subsidiary of du Pont American Industries and purchased William Durant's General Motors stock. The du Pont Company's stock purchasing subsidiaries, du Pont American Industries, Inc., and du Pont Securities Company, were later dissolved and their General Motors stock holdings taken over by du Pont Company. It thereafter from time to time acquired additional blocks of General Motors stock to prevent them from

falling into hands which might embarrass du Pont Company's control of General Motors."

Q. Are those charges as to the reasons for du Pont acquiring the General Motors stock of Durant true?

A. No, they are not.

Mr. Harsha: I object to that question, your Honor, asking for a conclusion of the witness.

The Court: Objection overruled.

By Mr. Harlan:

Q. Will you state in your own words, in as much detail as you can recall, the circumstances and full train of events that led up to the acquisition of the so-called Durant stock in General Motors in the fall of 1920? Take your time.

A. Starting quite a little time before the actual transfer [fol. 2028] of Durant stock was made, Durant had always been more or less of a speculator in the stock market. I never knew to what extent, or whether he was able to support his transactions or not. I knew nothing of his affairs.

In the fall of 1920 it became evident from rumors that Durant might be involved. The Morgans who were the bankers, called Mr. Raskob and me to their office one day and asked us if we knew anything about Durant's affairs, and both of us said we did not know anything. We did not know whether he had been speculating or anything about it. That was the end of that conversation. We couldn't give them any information.

Later on Raskob and I met Durant at a luncheon that he gave, and he said enough about his affairs then to indicate that he was worried about certain financial situations, General Motors particularly, and the general stock market also.

After that meeting Raskob and I consulted a good deal about the possibility of Durant being involved. He had said enough to make us possibly suspicious, but nothing more than that.

Later we had another meeting with the Morgans at which one of the Morgan partners asked Mr. Durant whether he knew of any weak accounts in the market. Durant said no, he did not. That was practically all that could be asked on the subject under the circumstances, but after



the meeting Raskob and I were still more suspicious that something was wrong.

We went to Mr. Durant's office one day to ask him about it. We sat there from ten o'clock until four, waiting to get an audience, which we finally did.

[fol. 2029] We asked him what his financial condition was, and after some talking he admitted that he was in very serious plight; that he had very large accounts; he had no more collateral, and no books, no record of what he had done in the way of speculation. The whole thing was in a general mess.

It finally resulted in Durant agreeing with us to have an accounting made, that he would go to his brokers and find out what he did owe. He intimated that it might be something like twenty million, but he was very vague about the whole thing. But apparently he was not trying to hide anything. He didn't know.

That same day, or the next day, after we left Durant, it was quite late in the afternoon, and as we went downstairs we met three of the Morgan people coming upstairs. They wanted to know why we were at the office as late as that. It was nearly six o'clock then.

We told them what was happening, and they said they were going to see Mr. Durant on the same subject, and that they would like to have a short conference with us before they went.

That resulted in exchange of information which led us to believe that Mr. Durant really was in a serious situation. The Morgan people said then they were certain of it, too, and that Durant's collapse might have very serious influence, not only on the stock market, but would involve two or three banks in addition.

They had their conference with Durant and it resulted in his agreeing to make a complete statement to all of us as to what the situation was. It then seemed probable that his obligations might come out as much as thirty million, for all he knew.

[fol. 2030] It was not until the end of the next day that we got a definite report from the Morgan people—from Mr. Durant, I mean, in regard to his obligations. The returns were coming in, and the worst was about to happen.



Returning to our office that day, after we learned this from Mr. Durant, Mr. Raskob ran over a hasty plan by which the du Pont Company might come in and possibly save the situation. Raskob wrote that down briefly, and when we returned to the office, we met the Morgan partners and they said that the worst had happened, something had to be done to alleviate the situation, if possible.

Mr. Raskob presented his plan for the du Pont Company to borrow money in order to help the Durant situation and take up his stock. Morgan said that they thought it far better if a general issue of notes was made, fortified by collateral that we would get from the stock that Durant had had for collateral, and from stock that the du Pont Company would put forth, and the Morgan Company agreed that they could float the loan with that aid.

That was the plan that was worked on, and by the next day they had that plan ready. The banks had subscribed to the necessary loan. The collateral had been put up or arranged. The bankers held the Durant stock, and the whole thing was finally settled that evening.

Durant realized at the time that he had lost everything. He didn't have enough stock to cover his accounts, and he had nothing left.

In the financing a note issue was made for which the du Pont Company was responsible or made themselves responsible, and the collateral that was needed in the way [fols. 2031-2041] of General Motors stock to support the loan was furnished by du Pont Company also, and its subsidiaries, and also the Chevrolet Company.

That was put up, leaving an equity in this corporation that was formed to do the financing. There was a common stock issue which was divided. There was nothing back of that common stock. All of the values were under the other issues of preferred stock and the note issue. The common stock had nothing but the liquidated profits which might occur.

Of that equity the bankers were allotted twenty per cent for floating the loan. The du Pont Company had forty per cent, and Durant had forty per cent. So that Durant ended with nothing but the equity in that stock, the forty per cent.

•Q. What was the total amount of money that you had to raise under these circumstances—that is the amount that was necessary to rescue this situation as to Durant, roughly? I don't mean the du Pont Company's share, but the total.

A. Well, the notes of this corporation, the rescue corporation?

Q. Yes.

A. It skips me for a minute. I think it is in the record.

Mr. Harlan: If your Honor please, I offer du Pont Exhibit No. 50, which should be in your first book, and I desire, with your Honor's permission, to read this letter in full.

[fol. 2042] (Said document, so offered and received in evidence, was marked du Pont Exhibit No. 50.)

Next, if your Honor please, I offer du Pont Exhibit No. 51—I think that is in your Honor's book—which is simply a schedule of the bank loans of General Motors Corporation in 1920, 1921 and 1922. I shall have occasion to refer to this from time to time, but for present purposes, at the time of this Durant situation that has just been described, you will note that the bank loans of General Motors at that time were, in October, just before this event, presumably the end of October, \$82-million odd, and by the end of November, \$80 million of bank loans were outstanding.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 51.)

Mr. Harlan: I next offer du Pont Exhibit No. 52, if your Honor please, which is a memorandum bearing the initials W.C.D..

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 52.)

[fol. 2043] By Mr. Harlan:

Q. Would that be Mr. Durant, Mr. du Pont?

A. Mr. Durant, yes.

Q. And "P.S.duP.", that would be you?

A. Yes.

Mr. Harlan: With the words "O.K. November 19, 1920."

Q. That is the memorandum you referred to as having been originally gotten up as the proposed basis of this financing scheme?

A. Yes, that's right, the whole thing.

Mr. Harlan: Thank you.

I might point out that in that memorandum you will note the equity as proposed there in the new corporation, which represented the equity in effect on any proceeds of the sale of the underlying General Motors stock of Durant which was purchased, is described here as being two-thirds to P. S. du Pont and associates, and one-third to Durant, and that the final arrangement on that was as indicated in Mr. du Pont's letter, forty percent to du Pont and forty percent to Durant and twenty percent to the bankers.

Finally, I think I have time to offer one more document, your Honor, to complete this series, which is du Pont No. 53, which is the minutes of a meeting of the du Pont Finance Committee dated November 19, 1920, which approves the final scheme of financing as it was eventually put through.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 53.)

And then I would like to read, and call your Honor's particular attention to page 2 of the resolution:

[fols. 2044-2045] "As it is the purpose of this company to resell all or part of the stock purchased.—"

That, of course, refers to the Durant stock.

"—it is recommended that the officers of the Company assent to the use of twenty percent of the profits resulting from the sale of stock to assist in the placing of the notes of the proposed company, and agree to divide equally the remaining eighty percent of the profit between those from whom the common stock is purchased and the common stockholders of the proposed Company."

By Mr. Harlan:

Q. Mr. du Pont, was it ever the intention of the du Pont Company, at the time it came to Durant's rescue under

the circumstances you have described, to retain that Durant General Motors stock as a part of the du Pont Company permanent investment?

A. I think not.

[fol. 2046] Mr. Harris: We also ask to substitute, if the Court please, for the existing Exhibit 834, the 834 which I now offer in evidence. That, again, was a document which was corrected.

The Court: Are there no objections?

Mr. Harlan: No, sir.

[fol. 2047] The Court: Motion allowed.

(Said document so offered and received in evidence, was marked Government Exhibit No. 834.)

The Court: You may proceed.

Mr. Harlan: Mr. du Pont, will you resume the stand, please?

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PIERRE S. DU PONT, a defendant herein, having been previously duly sworn, was examined and testified further as follows:

Direct examination (Continued):

By Mr. Harlan:

Q. Mr. du Pont, we had reached a point yesterday where the du Pont Securities Company had been formed as the financing vehicle for the acquisition of the Durant stock under the circumstances you described yesterday.

A. Yes.

Q. And from the papers that were put in and your own testimony, you recall that Mr. Durant received forty percent of the du Pont Securities stock representing a forty percent equity in the underlying General Motors stock in the event that it was sold at a profit?

A. That's right.

Q. Did there come a time when the du Pont Company purchased the forty percent of the stock of the du Pont Securities which had been issued to Mr. Durant?

A. Yes, shortly after he received the stock.

Q. I think the record will show that that was in 1921. Will you state to the Court what the circumstances were

under which the du Pont Company purchased that forty percent of the du Pont Securities stock? Why was that [fol. 2048] done?

A. The purchase was made at the request of Mr. Durant who wanted to invest elsewhere, I suppose, and he asked the du Pont Company to purchase the stock.

Q. Do you happen to recall whether at the time Mr. Durant had embarked, or was about to embark on any other venture of his own?

A. Shortly after that he did embark on a project, yes.

Q. What was that project?

A. American Motor Car, the "Durant Car," so-called.

Q. Did he organize a corporation for that purpose?

A. Yes.

Q. Called the Durant Motors, Inc., wasn't it?

A. I think that was the name, yes.

Q. Do you happen to recall what consideration or what payment was made to Mr. Durant for the acquisition of this forty percent of the du Pont Securities stock?

A. Why, he was paid in General Motors stock for it.

Mr. Harlan: I simply refer in this connection, your Honor, to Government's Exhibit No. 156. I need not bother to read it. It shows that the consideration received by Mr. Durant for the forty percent of the du Pont Securities stock was 230,000 shares of the underlying General Motors stock held by du Pont Securities, and in the same connection, I refer, without comment or reading, to Government's Exhibit 157 which was the formal agreement between Durant and du Pont Securities relating to that transaction.

Q. Now, do you recall that subsequent to that acquisition, the du Pont Company issued a \$35,000,000 note or bond issue to permanently finance the Durant-du Pont Securities transaction and certain other obligations du Pont had incurred in connection with General Motors?

A. That was done, yes.

[fol. 2049] Q. Can you state what the reason for du Pont making that permanent financing was? Why did it do that?

A. The initial financing was a very temporary one. I think it was a year's note with the intention of making it a more permanent arrangement thereafter.

Q. That is the du Pont Securities transaction?



A. Yes, that is right.

I think it was in June of the following year when we started negotiations to refinance the project by issue of \$35,000,000 bonds of the du Pont Company. Those were supported by collateral furnished by the du Pont Company or the du Pont interests.

Q. Why was it that du Pont felt it necessary to permanently finance those previous transactions?

A. Largely because the first notes were temporary ones and fell due within a year, so that permanent financing had to be arranged before the first notes became due.

Q. Do you recall any factors connected with that permanent financing that related to the credit of General Motors as it might have been affected or was affected by these temporary notes being outstanding secured by General Motors stock?

A. The General Motors Company—I can't think of the name—

Q. The corporation?

A. The company that issued the first note, that company, had notes outstanding with the du Pont stock as collateral.

Q. You mean General Motors stock, don't you?

A. General Motors stock, yes. General Motors itself had a large amount of paper floating in regard to its business which was unsecured, and that was too nearly connected with this du Pont arrangement which was supported by General Motors stock entirely to expect the banks to keep [fol. 2050] the loans going, and I think the banks really objected to that arrangement. They would not be willing to continue the loans to General Motors, unless the first note of the du Pont Securities Company was taken up by re-financing.

Q. Am I correct in stating that the net effect of that transaction was to substitute the credit of the du Pont Company for these obligations of du Pont Securities that we have been talking about rather than the credit of the General Motors Corporation which had theretofore been the case?

A. That was the effect and had the desired result in affecting the General Motors credit.

Q. And at the time of that transaction, was it still the position of the du Pont Company that it was responsible for the financial management of General Motors?

A. It had assumed that responsibility and continued to do so.

Mr. Harlan: In that connection, if your Honor please, I offer du Pont Exhibit No. 54, which should be in your Honor's first volume, which is a memorandum dated March 28th, 1921, to Mr. P. S. du Pont, President, General Motors Corporation, enclosing a memorandum which is attached thereto and from which I would like to read a portion.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 54.).

Mr. Harlan: The memorandum relates to what became of this \$35,000,000.00 bond issue of the du Pont Company, and reads as follows, on page 1:

"Vice President J. J. Raskob called attention to the [fol. 2051] statement contained in the Annual Report to the Stockholders to the effect that plans were under consideration for permanently financing the purchase from Mr. W. C. Durant by du Pont Securities Company of shares of the General Motors Corporation, and stated that various plans had been discussed."

Then the next two or three pages proposed various alternative plans, which finally culminated in the \$35,000,000.00 bond issue, and the memorandum continues on page 8, if your Honor, please, as follows:

"Mr. Raskob stated that the occasion for considering the matters referred to in the foregoing plans was due to the desirability of enabling General Motors Corporation to procure additional loans from the banks in order to strengthen its cash position, and particularly to enable it to effect the settlement of a large number of contracts for materials which it was represented could be disposed of on advantageous terms if approximately \$15,000,000.00 were made available to the Company for that purpose. He said that he had been advised by Messrs. 'blank'."

I am sure there will be no objection to my stating that the blank referred to J. P. Morgan. At least, I assume it does.

Mr. Harsha: I will accept your assumption, Mr. Harlan.  
Mr. Harlan: Thank you. (Reading):

"that a careful investigation of the situation had convinced them that owing to the present condition in the money market it was difficult, if not impossible, for the General Motors Corporation materially to increase its [fol. 2052] loans from banks until the notes of the du Pont Securities Company and the Chevrolet Company, now held by the banks, had been retired."

By Mr. Harlan:

Q. These notes referred to of du Pont Securities Company and Chevrolet Company were all collateralized, were they not, by General Motors stock?

A. By General Motors stock entirely.

Mr. Harlan: Reading:

"He explained that it appeared possible to do this if either of the plans referred to above were adopted, and in view of the large interest held directly and indirectly by the E. I. du Pont de Nemours & Company in the General Motors Corporation it appeared clearly to be in the interests of the stockholders of the E. I. du Pont de Nemours & Company to adopt some plan by which the financial position of the General Motors Corporation could be strengthened.

"After discussion, the following resolution was offered and unanimously adopted:—

":Resolved, that Mr. P. S. du Pont be and he is hereby authorized to give assurances to Messrs. J. P. Morgan & Company and/or other banking institutions and firms either that one of the plans referred to above will be adopted within ninety days or in the event that neither of such plans are found to be desirable from our point of view then to give assurances that there will be substituted therefor some other plan satisfactory to Messrs. J. P. Morgan & Company, or that the notes of [fol. 2053] the du Pont Securities Company and Chevrolet Motor Company now held by the banks will be taken up before July 1, 1921, it being understood that in the event that a plan is developed whereby the Board of Directors of E. I. du Pont de Nemours & Company

feels that it would be justified in authorizing an issue of notes of the Company not to exceed \$35,000,000.00, such a note issue will constitute an acceptable plan."

Then follows a resolution authorizing the officers to proceed.

By Mr. Harlan:

Q. It was that \$35,000,000.00 note issue that eventually was issued and put out to take care of these overhanging obligations secured by General Motors stock?

A. That is right, yes.

Mr. Harlan: In that connection, if your Honor please, in reference to the statements in the paper just read on the General Motors credit situation as affected by these outstanding obligations, I refer to our du Pont Exhibit No. 51, which simply shows that as of this period in 1921, the month being April, the bank loans of General Motors Corporation were roughly \$74,500,000.00.

[fol. 2054] By Mr. Harlan:

Q. Just to anticipate a moment, Mr. du Pont, by June, 1921, you had become president of the General Motors Corporation, had you not?

A. Yes.

[fol. 2055] Mr. Harlan: Now, I turn to another line of proof, if your Honor please, which relates to the so-called control issue, which, stated in more simplified form, is the Government's contention that du Pont sought to establish, and that it did establish some control of some kind over the management and the Board of Directors of General Motors for the purpose of putting itself in a position where it could control General Motors purchases, and therefore produce in some fashion a so-called captive market for du Pont.

[fol. 2056] That is the control issue on this phase of this case, and I propose to examine with Mr. du Pont, the relationship, the general relationship at the policy levels of the Board of Directors and committees of General Motors, between du Pont and General Motors for the purpose of exposing them to scrutiny as to whether they evidence

the purpose to control markets that Mr. Harsha and his associates would contend, or whether, as we contend, the relationships evidence nothing more than the representations and other relationships which one would expect to find in an investment of this kind by du Pont in General Motors,—by the du Pont Company in General Motors.

By Mr. Harlan:

Q. Now, first of all, you testified yesterday, Mr. du Pont, that under the original proposal set forth in the Raskob report, which we considered yesterday, that the understanding was that in the management of General Motors, du Pont would assume responsibility for the financial aspect of the management, and Durant would assume responsibility for the manufacturing and other operating aspects of the business.

A. That is correct, yes.

Q. Can you state what steps, following the investment of duPont, were taken in the organizational set-up of General Motors to give effect, or implement that division of responsibility between Durant and du Pont?

A. Between Durant and du Pont before he left?

Q. Yes, right after 1918.

A. The Finance Committee and the Executive Committee were both remodeled with a new provision to express their duties. The Finance Committee was to take complete charge of the financial arrangements of the company. It was headed by John Raskob as chairman, and other [fols. 2057-2059] members were Mr. Durant and myself, Lammot du Pont and Ireneé, five members, of which Durant was the only one not in the du Pont Company. On the other hand, the Executive Committee, which was the operating committee in charge of all operations, was headed by Mr. Durant as chairman, and he had with him his own associates chosen by him, and his own men who knew his business. Mr. Haskell was added to that group, so we had Mr. Durant, and Mr. Haskell on the Executive Committee, and Mr. Haskell and Mr. Durant on the Finance Committee.

I think I neglected to say Mr. Haskell was on the Finance Committee, too.



Q. Haskell was the so-called du Pont liaison on the Executive Committee, and vice versa, Durant, the other partner, was his own liaison officer on the Finance Committee?

A. Yes, sir.

[fols. 2060-2061] Now, I offer, if your Honor please, du Pont Exhibit No. 56.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 56.)

[fol. 2062] By Mr. Harlan:

Q. Now, Mr. du Pont, in the year 1920, this record which I have in my hand shows that directors were added, their names being Mr. Baker, George F. Baker, Mr. Chamberlin, Mr. McGowan, Mr. McMaster, Mr. Prosser, Edward R. Stettinius, William Woodin, Clarence M. Wooley, and Owen Young.

Can you tell me how it came about that these additional directors were added to the General Motors Board in 1920?

A. They were added after Mr. Durant left the company, and I think largely at the instance of the bankers, and Mr. McGowan and Mr. Chamberlin had become large stockholders of General Motors, and they were invited to join the Board on that account.

The others, I think, were all just bankers who were prominent bankers, who were connected with corporations in New York.

Q. Without going into detail, which I shall develop otherwise, do you recall in 1920 a sixty-odd million dollar common stock issue of General Motors was put out?

A. It was, yes.

Q. Isn't it a fact in connection with that stock issue, which I will develop through other witnesses who were more closely connected than you were, that these nine directors came onto the Board?

A. Well, certainly the British members did about that time.

Mr. Harlan: Next, if your Honor please, I turn to the portion of this document here that relates to the Finance

Committee. It is on page 11, and the Finance Committee, throughout the years 1918, 1919 and 1920, as indicated by Mr. du Pont's testimony, was composed of the so-called [fol. 2063] representatives of du Pont, Mr. Durant being the seventh member. Then finally as to the Executive Committee on page 14 of this Exhibit 56, during those three years, as Mr. du Pont indicated in his testimony, the composition of that committee was entirely "Durant" personnel except for Mr. J. A. Haskell who was the so-called du Pont liaison representative on that committee.

By Mr. Harlan:

Q. Now, without going into undue detail, could you describe generally how General Motors operated during this so-called Durant-du Pont partnership period with respect first to the operation of the financial side of the business, then as to the manufacturing and operational side of the business?

A. Well, on the finance side, the chief duty of the committee was to provide money necessary for the expansion of General Motors, which Mr. Durant had in mind, at that time, of his own volition. Nothing was suggested to him by the Finance Committee.

He, as an executive of the Executive Committee made all the suggestions for expansion, and the Finance Committee was to furnish the money for the improvements.

The Finance Committee kept thoroughly posted, through Mr. Haskell, and Mr. Durant, who were common members of the two committees.

On the other hand, Mr. Durant's presence on the Finance Committee, together with Mr. Haskell's would keep the Executive Committee up to date on the plans of financing, so there was a complete separation of functions between the two committees.

Q. Now, as to the function of the corporation on the operating side, who was to carry that forward as distinguished from the financial side?

A. Mr. Durant had with him a body of men who were [fols. 2064-2066] prominent in the automobile industry, and had been in General Motors. They were all governing men of the operation, and in any expansion of the business,

they were ~~all~~ kept informed as to the financial arrangements through Mr. Haskell and Mr. Durant. They had direct contact with the Finance Committee.

Q. During the period of '18 through '20 was there a period of upsurge, and general expansion in the automobile industry generally?

A. Yes, it was. The industry was advancing very rapidly in its production and the popularity of the motor car and all of the companies were expanding at a rapid rate.

Q. Do you have any idea in your mind how much new capital was put into General Motors without regard to the sources from which it was raised, during that period of 1918 to 1920, inclusive?

A. Well, that was the capital that was arranged for in connection with the du Pont interests, proposed by them and accepted by Mr. Durant. That was almost \$400,000,000.

Q. When you refer to the du Pont interests, you are talking about the du Pont people on the General Motors Finance Committee?

A. Right.

Mr. Harlan: There is a document that I must offer at this point, and that is du Pont Exhibit No. 57, if your Honor please, and I shall have occasion to refer to this one from time to time, which is the annual report of the General Motors Corporation for the calendar year ended December 31, 1922.

[fol. 2067] By Mr. Harlan:

Q. Now, let me pass to the period following the event of the Durant collapse and pick up from there.

You stated a moment ago that you became president of General Motors Corporation following those events that we went over yesterday?

A. That is right.

Q. Will you state to the Court what you know of the circumstances which led to your nomination as president and election as president of General Motors?

A. Well, the first message I had concerning that was a talk I had with Mr. Seward Prosser who was one of the directors of the company, saying that the banking element were very anxious that I should accept the presi-

dency, if not for any length of time, at least temporarily until affairs had been straightened out.

They felt that the company had received a very bad shock in the sudden failure of Mr. Durant, and they thought it was very necessary to put somebody who was well known at the head of the company.

I was very loath to accept the position. I had recently retired from business, but I said that I would do whatever they thought best, and I was put in as president with the distinct understanding that I was only to stay there until a better posted man could be found to take the job.

Q. Actually, your term of office ended when, as president of General Motors?

A. In the spring of 1923.

Q. And then you were succeeded by Mr. Sloan?

A. That is right.

Mr. Harlan: I have a document, if your Honor please, Government's Exhibit No. 235. I will ask Mr. Winscott to hand your Honor a loose copy. This is a memorandum from Raskob to J. P. Laffey, Esquire.

[fols. 2068-2069] By Mr. Harlan:

Q. He was general counsel of the du Pont Company or became such?

A. He was.

[fol. 2070] By Mr. Harlan:

Q. Had you in fact, at the time you were suggested for the presidency of General Motors, retired from the du Pont Company?

A. I had. I had retired in the year 1919.

Q. What had been your intention at the time of that retirement with respect to resuming active business affairs in any realm?

A. I had no intention of resuming anything.

Q. And these events brought you out of hiding?

A. That is right.

Q. Now, following your assuming the presidency of General Motors, do you recall that a reorganization plan was

put into effect very shortly after your resuming the job as president?

A. It was.

Q. Do you know, without going into any details, because those will be developed otherwise, who was the originator of what finally became the reorganization plan?

A. That was Mr. Alfred P. Sloan, who was then Mr. [fols. 2071-2074] Durant's chief assistant, and he had evidently prepared the plan in connection with his duties. That was done before Mr. Durant left the company.

Q. It had not been promulgated or put into effect up to the time of his collapse, is that right?

A. That is right.

Q. Do you recall whether that plan was submitted to the Board of Directors of the General Motors Corporation?

A. It was, yes.

Q. Before it was promulgated?

A. That is right.

Q. And it was debated?

A. Debated, yes.

Q. And thrashed out?

A. Well, I think it was accepted practically as it was, but it was debated and questions were asked and it was considered very carefully.

[fol. 2075] By Mr. Harlan:

Q. Now, this 1922 annual report of General Motors (du Pont Exhibit 57) that I referred to a moment ago, Mr. du Pont, refers to various matters of administration, of business, of financing, that arose at that point under your regime as president. I want to deal with some of them. Let me ask you first, and without going into specific subjects, can you inform the court as to what kind of a General Motors organization you found; what kind of a business you found in late 1920 when you went in? Was it a healthy condition you found, or what was it? Could you describe that [fol. 2076] generally to the Court?

A. Well, from my point of view, there was a great lack of proper organization. Mr. Durant had operated as a one-man concern. He was really the head of the company and attended to everything. The other men were



subject to his direction. There was very little incentive to the men themselves to operate independently. That was Mr. Durant's plan, and it worked out very well during the earlier years. The du Pont plan was to give more leeway to the head men of the different departments. That was part of the changes made almost immediately, that the head men of the departments should take complete charge of their departments and operate independently, subject to the regulation of the Executive Committee. It was a very important change.

Q. Could you state what the general business or economic conditions in the country were in the fall of 1920?

A. In 1920 we were preparing for a very bad year. Business had fallen off during the year 1920, and continued to fall off.

Q. Let me turn—if you have finished?

A. Yes.

Q. Let me turn to certain of these specific problems that confronted you in General Motors. Do you recall that you were presented with a situation that related to the extent and value of the company's inventories when you went in?

A. That was a very serious situation which had already developed in the year 1920. A large amount of materials had been taken on at the plant, and contracted for on the theory that there was going to be good business during the latter part of 1920, which business had not come about, so we entered into the year 1921 with—

Q. Take your time.

A. (Continuing)—with very heavy inventories, and a [fol. 2077] large amount of floating debt outstanding as a consequence. Unfortunately, it was bound to increase early in 1921. Not only had we the inventories, but they were not appropriate for the manufacture of cars that we found would have to be manufactured in the future. The early cars up to 1920, almost all had been sold. There was a great demand for cars, but as the trade fell off people became more particular and it was found necessary to revamp the construction of nearly all of the cars, the Buick and the Cadillac excepted, but the other three cars were in very bad condition and had to be rebuilt entirely on new lines. Therefore, a large part of the inventory that had

been laid out could not be used, and we had to sacrifice it almost at no value at all.

So the condition was doubly bad on that account.

Mr. Harlan: In this connection, I refer, if your Honor please, to 1922 annual report of General Motors at page 9 (du Pont Exhibit 57), simply to put on the record the figure as to inventory write-offs which was the result of this condition that Mr. du Pont has described. On page 9 it appears as follows:

"The reduction of the surplus materials purchased at high prices, and of inventory and other commitments made prior to December, 1920, resulted in a total liquidation loss of \$84,869,893.00."

By Mr. Harlan:

Q. Do you recall in this same connection any problems that confronted you with respect to the extent of the company's bank loans at this time?

A. I would say the bank loans were very heavy at that time.

Q. Were those gradually reduced during your administration as president?

A. Yes, those were gradually reduced.

Mr. Harlan: In that connection, if your Honor please, I refer to du Pont Exhibit No. 51 which shows that in November of 1920 when Mr. du Pont assumed the presidency right at the end of November or early December, the bank loans of General Motors were some \$80,699,784.00, and that all of those bank loans had been paid off or were paid off by June of 1922.

Next, in relation to what the witness has said as to the car design situation, I offer du Pont Exhibit No. 58, which is in your Honor's first book. I will read it.

(Said document, so offered and received in evidence; was marked du Pont Exhibit No. 58.)

Mr. Harlan: It is very short, du Pont Exhibit No. 58, which is an excerpt from the minutes of the Executive Committee of General Motors Corporation on March 15, 1921, that relates to tests of new products.

By Mr. Harlan:

Q. By the way, before I do read this, what was the situation as to testing procedures, research facilities, in General Motors at the time that you went in there as president?

A. Well, they had very little equipment for that purpose. The divisions tested their own cars by running on the common road, a very inefficient custom, and the different materials that they received and so on were not tested properly, and not tested with a view to bettering conditions.

Q. Were steps taken to remedy that?

A. Immediately, yes.

[fol. 2079] Mr. Harlan: Now, I read from the document that I have just referred to:

“WHEREAS, in the judgment of this Committee”—

this is the General Motors Executive Committee—

“it is not only eminently proper but absolutely essential that an independent engineering test should be conducted on every new piece of apparatus under development or a major change on any piece of apparatus in production by any Division or Subsidiary before any commitments are made other than experimental commitments, and

“WHEREAS, this Committee feels it is essential that a method of procedure should be adopted in order to reduce to the minimum losses in connection with the developing and marketing of new products,

“NOW THEREFORE, BE IT RESOLVED, that the following method of procedure be outlined and that same be presented at the next meeting of the Operations Committee for its information and guidance, and for any further recommendations that the Operations Committee may wish to make, with a view to a better method, if possible, of effecting the desired result.”

Then follows a tabulation of the various procedures having to do with testing that it is recommended should be adopted.

Next, in a little different connection, I offer du Pont Exhibit No. 59, and before I get to that, let me ask Mr. du Pont a question:

[fol. 2080] By Mr. Harlan:

Q. I will ask you if you can elaborate a little further on what you said as to the adequacy of the design and engineering of General Motors cars as you found them at the time you went in as president?

A. Well, the engineering and general construction of the cars was found to be very poor. I was no judge of them myself, but relied on the General Motors men to give the information, and they acknowledged that the conditions were lamentable in the three lower-priced cars, especially. The Buick was in good condition, and so was the Cadillac, but the other three cars were in very bad condition. They had to be rebuilt entirely on new lines.

Mr. Harlan: Now, I read just a portion of this exhibit, your Honor, that relates to that subject. It is dated September 13, 1921.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 59.)

Mr. Harlan: This is dated September 13, 1921, and it is the minutes of meeting of Executive Committee:

"Whereas, The President has submitted a report to the Executive Committee in which he calls attention to the necessity of adopting certain fundamental principles to be observed in the planning of our line of cars to be manufactured in the future, and feels, among others, that the following principles should be enunciated:"

Then follow the resolutions as to the procedures that shall be adopted in connection with the testing and rede- [fol. 2081] signing of cars, and also a list of the specific cars with the recommendations made with reference to them: Buick, Cadillac, Chevrolet, Oakland and so forth—

The Witness: Might I add there, that these discoveries had nothing to do with the du Pont Company taking hold? The General Motors people themselves realized what the

situation was, and they applied the corrective measures. It had nothing to do with the du Pont management.

Mr. Harlan: I don't think any of us understood anything different, Mr. du Pont. Thank you.

By Mr. Harlan:

Q. Now, do you recall that there were any of the manufacturing enterprises that you found that had to be scrapped or liquidated in General Motors?

A. The most prominent item of that kind was the tractor which had been newly acquired and a plant constructed and was almost ready to operate when I started there, but they found that the whole conception of the tractor was wrong, and the tractor could not be produced at the proper price, and the whole investment was a total loss.

They abandoned the tractor and everything concerning the plant was scrapped.

Q. That was the Samson. Was that the Samson tractor venture?

A. Yes.

Mr. Harlan: And just for the record, the annual report of 1922 shows that the write-off in connection with that unfortunate venture was—page 11 of the annual report shows that the write-off was to the tune of some \$21,000,000, total investment up to that time having approximated some thirty millions.

[fol. 2082] By Mr. Harlan:

Q. Now, some reference was made in 1922 annual report to the Fisher Body Corporation. That is a name we have heard about in this lawsuit.

First of all, are you aware that in 1919, that is prior to your becoming president of General Motors, that the General Motors Corporation, under the Durant regime acquired a 60 per cent interest in the stock of Fisher Body?

A. Yes, I am aware of it.

Q. Did you participate in the details of those negotiations?

A. Well, I was present when the matters were being discussed. I didn't take much part in them.



Q. Can you state from your contact with the situation what the basic purpose of General Motors was in acquiring that 60 per cent interest in Fisher Body?

A. It was to gain control of the body manufacture that was necessary for their cars. Up to that time the car bodies had been made by people who did not make the chassis, even, of the automobile, and General Motors at the time thought that the whole car should be designed and made by the same manufacturer. That was being done by the Ford car very successfully and prominently, the successful car of the time, and General Motors decided they must do the same thing.

The Fisher Body was the only manufacturer of car bodies that was large enough to accommodate General Motors' demands, and that was one of the chief reasons why they took hold of Fisher, but they are also very efficient men, and were known to produce the best line of bodies for the general car, and that led to negotiations with Fisher.

Q. Now, the government has put in a document or two [fol. 2083] that relate to Mr. Fred Fisher going on the General Motors' Executive Committee, I think in the year 1922?

A. Yes.

Q. Do you recall that episode?

A. Yes, I do.

Q. And could you state why it was that it was considered desirable to take Fred Fisher on the General Motors' Executive Committee in 1922?

A. I think the principal reason was that he was a very good man for general purposes in all sorts of manufacturing. He is a very bright man and made a great success of his own body business. But our idea was to get him in connection with the chassis, to bring him in complete contact with it, and that was a very desirable thing to have his interests not in the body alone, but in the whole car.

Q. The Government, as you know, suggests that the reason for putting him on the Executive Committee was to break down his resistance to buying du Pont products. That is what they say. Is there anything to that?

A. No, certainly not.

Q. Did you ever hear it suggested until the Anti-Trust Division came up with that one that that was the purpose?

A. No, I never heard it before.

Q. Now in 1926, the papers in evidence also show that the General Motors Corporation purchased the outstanding minority interest of Fisher Body or the Fisher boys. Do you know why that was done?

A. That was done in order to bring the entire body manufacture in harmony with the chassis manufacture. The General Motors was manufacturing entirely its own bodies and cars.

Q. In 1926, you had ceased to be president of General Motors Corporation three years before?

A. Three years before, yes.

[fol. 2084] Q. And Mr. Sloan was the active president and chief executive of the company at that time?

A. He was, yes.

Q. One further thing on Fisher. The Government has read some of your testimony in the old deposition with respect to Fisher Body, and I want to ask you a question about it.

Mr. Hotchkiss was cross examining you, if you recall, and in reference to Fisher Body he asked you these questions, at page 1744 of the present transcript, as read in by Mr. Harsha:

“Q. Now Mr. du Pont, about this time in 1927, the proposal did arise, did it not, that the General Motors Company acquire the remainder of the stock of the Fisher Body Company?”

Actually Mr. Hotchkiss was off a year there. It was 1926.

“A. That question arose. I don't remember the date, though.

“Q. Yes, and the du Pont Company approved General Motors Company making this acquisition.

“A. Whatever the record shows, I have no recollection of the transaction.

“Q. It is a fact, is it not, that the General Motors Company did thereafter acquire all of the outstanding stock of Fisher Body?

“A. Yes.”

“Q. Did General Motors in return for that stock,

or at least in part payment therefor, give the Fisher boys General Motors stock? Do you recall?

"A. I don't recall, but apparently that was the case.

"Q. And do you recall whether any arrangements [fol. 2085] or understandings or any agreement was entered into between General Motors and the Fisher Body Company or the Fisher boys with respect to the matter of retaining the service of the Fisher boys?

"A. I think there were agreements with all of them.

"Q. There were agreements with all of them?

"A. Yes, service agreements.

Then Mr. Harsha continues at page 1745:

"Q. Now going a step further on, Mr. du Pont, after Fred Fisher was appointed to the Executive Committee, did the Fisher Body Company start to buy substantially larger quantities of goods from the du Pont Company and from Flint?

"A. I don't know.

"Q. As a matter of fact, the Fisher Body did not, did they?

"A. I don't know whether they did or didn't."

Going over to page 1746—I got into something that I didn't care about, and this is what I wanted to ask you:

"Q. You have testified on cross examination that in connection with this second purchase by General Motors of Fisher Body stock—that is the purchase of a minority interest—that certain arrangements and understandings were arrived at with the Fisher boys with respect to their continuing status with the company. In the meantime, Mr. du Pont, do you recall or remember what those arrangements were?

"A. I think they had employment contracts or something of that nature covering a period of time.

"Q. For a considerable period of years? Do you [fol. 2086-2087] recall approximately?

"A. No, I don't recall that at all. I would think not, maybe five years.

"Q. You have referred to—I think it was Fred Fisher, or perhaps the Fisher boys—, as being hard bargainers in your cross examination. Did the Fisher

boys, as a condition of their selling this second block of their Fisher Body stock to General Motors require these employment contracts, do you recall?

"A. I think they probably did, it having occurred about the same time, but I don't recollect any agreement regarding the two things."

Have you since had occasion to refresh your recollection on that, as to whether or not in 1926 any employment contracts of any kind were entered into with the Fisher boys?

A. Not in 1926, no.

Q. What were you referring to in your answer? What contracts were you referring to?

A. To the contracts originally with their own company, before the 60 per cent was acquired, and those contracts, I think, lasted maybe four or five years, but I think in 1926 all that was over.

[fol. 2088] Mr. Harlan: Mr. du Pont, will you resume the stand, please?

PIERRE S. DU PONT, called as a witness on behalf of the Defendants, having been previously duly sworn, resumed the stand, was examined and testified further as follows:

Direct Examination (Continued).

By Mr. Harlan:

Q. Mr. du Pont, I want to commence this morning by asking you a few questions with respect to the bonus plan that was introduced into General Motors in the year 1918. Do you recall that subject?

A. I do, yes.

Q. Can you tell us how the introduction of that plan came about?

A. That was initiated through the du Pont Company. I think Mr. Raskob took it up with Mr. Durant.

Q: Do you recall what the considerations were that led Mr. Raskob to recommend to Mr. Durant that such a plan be adopted in General Motors?

A. It was the same idea that prevailed in the du Pont Company, that it was a very good thing to have the head men of the company interested in the stock.

Q. Had you had such a bonus or incentive plan in the du Pont Company for a number of years prior to 1918?

A. Yes, since about 1903 we had a bonus plan. It operated very well, and we recommended it to Mr. Durant, and he was very enthusiastic about changing from his plan to the du Pont plan.

[fols. 2089-2091] Q. When you say the du Pont plan, you are referring to the set-up under the du Pont plan which might be a prototype for the General Motors plan?

A. That is right, yes. It had nothing to do with the du Pont Company, of course.

Q. I have seen the phrase used in some of these papers that are in evidence in the case describing what is called "owner-management." What is that?

A. Well, owner-management is trying to bring into the company, as far as possible, as stockholders those who are operating the company.

Mr. Harlan: Now, if your Honor please, I offer du Pont Exhibit No. 60, which should be in your Honor's Volume I. [fol. 2092] Next, if your Honor please, I offer what should be the next document in your book, du Pont Exhibit 61, which is a letter from Pierre du Pont to his brother, Lamot du Pont, dated March 16, 1937.

(Said document, so offered and received in evidence was marked du Pont Exhibit No. 61.)

[fol. 2093] By Mr. Harlan:

Q. What sort of a bonus plan, if any, did General Motors have under Durant prior to the recommendation of the so called du Pont method of bonus payments, if you recall?

A. Their plan was hardly a bonus plan. It was merely an arrangement on the part of the chief men, the heads of divisions, to draw out cash when they saw fit to do so, under the direction of Mr. Durant himself.

It was a very loose plan, applied to only certain men, without any general plan of operation. Of course, the very good men were interested, but it was too loosely administered to be of any real value.

Q. Do you happen to know whether the bonus plan as recommended in 1918 and as then introduced by General



Motors has continued from that time in substantially the same form or philosophy down to the present date?

A. It has, yes.

[fol. 2094] Q. Has it worked well?

A. Very well.

Q. Now, I want to direct your attention, if you please, to the plan called in this case the Managers Securities Plan.

Are you aware that the Government, in its complaint, charges that the Managers Securities Plan was a device and method to induce or insure that the executives of the General Motors Corporation would be subservient to the du Pont interests? Do you recall that part of the complaint?

A. I recall it, yes, sir.

Q. Can you state what the origins of what became the Managers Securities Plan, and what the objectives were that were set up to be achieved under the plan?

A. Well, the Managers Plan grew out of the regular bonus plan, but it was an enlargement of it in order to bring large bonuses to the chief men of the company.

Q. Without going into details of the plan in any way, which I will come to later with others, can you state what the source of the stock was, the General Motors stock was, that was utilized in this so-called Managers Securities Plan?

A. That was the stock that the du Pont Company had purchased from the Durant Estate, or Mr. Durant, at the time of his failure. That was practically all turned in to the Managers Plan.

Q. Do you recall that following the promulgation of the Managers Securities Plan, a special committee of the Board of Directors of General Motors was set up in connection with the making of allotments to GM executives under the plan?

A. Yes, there was a special committee of the Board to review the recommendation of the officers of General Motors Corporation. Of course the committee itself was chosen because they were not employees of General Motors, [fol. 2095] and they had no part in the awards themselves. That is, they were not acquainted in any way with most of the participants in the bonus plan.

Q. Who were the members of the special committee on the Board?

A. Mr. Bishop of Flint, Michigan, Mr. Prosser, president of the Bankers Trust Company of New York, and myself.

Q. And yourself you say?

A. Yes.

Q. What connection did Mr. Bishop and Mr. Prosser have with the du Pont Company?

A. None whatever.

Q. Now, again, without going into detail, Mr. du Pont, can you state what the general method was that was followed in bringing up to the special committee recommendations for allotments for General Motors' personnel of the Managers Securities stock under this plan? Where did that come from?

A. The allotments were initiated by heads of the different departments of General Motors, as to the people who were directly under them whom the heads of departments would know well. They made recommendations to Mr. Sloan, who was then president of the General Motors Company, and he expressed his opinion, and finally the whole recommendation was passed to the committee of three. It was their province to make a review of the whole situation in order to see whether there were any apparent inequities in the recommendation.

I think no recommendations were changed.

Q. That is, no recommendation was changed as you recall it from the committee as it came up to you from Sloan?

A. Yes. I don't know how it was done by Mr. Sloan, but probably he made some suggestions, but the committee made no suggestions at all in the whole plan.

[fol. 2096] Q. Was the attitude of the recipient of the Managers Securities stock towards du Pont Company a factor in the committee's approval of Sloan's allotment?

A. Most certainly not.

Q. Now, I want to ask you, if you will, please, at the time you were president of General Motors from 1920 to 1923, and thereafter, in your connections with General Motors, with the committees that are shown in evidence,

I want to ask you what your own attitude was with respect to the considerations which governed the commercial or trade relations between du Pont Company and General Motors?

A. I don't understand your question.

Q. I want to ask you, while you were president of General Motors, and subsequently, as a member of the finance committee of General Motors, what your attitude was, your own point of view was as to what consideration should govern the commercial relations, the purchases and sales of products, between General Motors and the du Pont Company?

A. The same consideration as dealing with other corporations and individuals, nothing whatever in favor of those who were du Pont men against those who were not, and vice versa with General Motors men.

[fol. 2097] Q. At any time while you were connected with General Motors, did you ever hear it said that there was some agreement or understanding between du Pont and General Motors that General Motors would prefer du Pont products in purchasing to those of products of du Pont's competitors?

A. I probably did, but I cannot remember of any instance.

Q. I beg your pardon?

A. I cannot remember of any instance that I did hear it. I probably did hear such a thing. Gossipy rumors of that kind do get around, but I cannot name an instance.

Q. Were you aware of any arrangement between du Pont and General Motors?

A. I am sure there was no arrangement.

Q. Of that kind?

A. I am sure there was none.

Q. Did you ever, as president of General Motors, issue any instructions to General Motors purchasing department [fol. 2098] that they were to prefer du Pont products to those of du Pont's competitors?

A. No, I never did. I never issued any orders to them at all about any products.

Q. Did you ever hear of any such order having been issued by any of the top level people in General Motors Corporation?

A. I am quite sure there was no such order issued.

Q. Going back to the time when du Pont first made its investment in General Motors in 1917, did you have any discussions with Durant before the investment was made, connected with the investment, that General Motors should be expected to prefer du Pont in its purchase of products?

A. No, I never heard such a thing.

Q. Did you ever have any such talk with John Raskob, at the time of the initial investment?

A. No, not at all.

Q. Or subsequently?

A. Or subsequently.

Q. Where was the seat of primary responsibility for deciding in General Motors, what products should be purchased, and from whom?

A. It was in the several departments who needed the materials to be purchased.

Q. In the several departments, you say?

A. Departments, yes.

Q. Did you ever have a discussion with any of the heads of those departments in which you urged or attempted to influence any of those men favorably toward purchasing du Pont products?

A. No, I never did.

Q. Do you recall an episode that took place in 1923 which related to the question of General Motors establishing what was called a two-sources of supply policy?

A. Yes, I remember perfectly.

Q. Will you state what you recall of that incident, and your connection with it?

A. Well, this occurred in the Chevrolet Division of the [fol. 2099] General Motors Corporation, of which I was president at the time, and Mr. Knudsen was the vice president and in complete charge of the division. I had really very little to do with it. He consulted with me on the subject of the two sources of supply proposition. He thought that there should be two sources of supply in all of the principal products and said that he would like to proceed on that theory.

I told him frankly that I was not a believer in that, but it was entirely up to him to choose whether he would have two sources of supply or any number of sources.

That was his province to decide. And he went ahead on his own ideas and started to have two sources of supply in the principal products, or the principal raw materials, I mean.

Q. And did you attempt to dissuade Mr. Knudsen in any respect from going ahead and introducing his two-sources of supply idea?

A. Quite the reverse, I put it up entirely to him. I only expressed a personal opinion, but he could disregard it entirely, if he wished to, and he did.

Mr. Harlan: In that connection, your Honor, may I offer du Pont Exhibit No. 62, which should be in your first volume, which is a letter from William Coyne.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 62.)

By Mr. Harlan:

Q. Who was William Coyne in the du Pont Company?

A. He was a member of the Executive Committee, and chiefly on the sales department staff.

[fol. 2100] Mr. Harlan: This is a letter from William Coyne addressed to Mr. P. S. du Pont, dated July 23rd, 1923. I would like to read it.

"My dear P. S.:

"Yours July 19th:

"Ferd La Motte"—

By Mr. Harlan:

Q. Who was Ferd La Motte, do you know?

A. He was one of the employees under Coyne.

Mr. Harlan (Continuing):

"Ferd La Motte assures me that the du Pont Company does not divide orders for Raw Materials for the purpose of having two sources of supply, and that the only instance where we buy the same commodity from two people is when one supplier is not able to care for our total requirements.

"While the loss of 25% of the Chevrolet top business seemed a little cruel, because of our having waived



a very large sum due us under our 1920 contract; because of having given them splendid service and quality and having met their unusual and unexpected heavy requirements during 1922,—buying gray goods at the market because our commitments were not heavy enough to meet their demands, and not charging them for the difference between the market and our contract price; expressing many shipments and not charging them the difference between express and rail rates; perhaps there is some justification for Mr. Knudsen's [fol. 2101] attitude, in the fact that we have but one Plant and if anything serious happened to it his production might be interfered with, although I have no hesitancy in saying that we would take care of him in some way, even if we had to buy from our competitors, because the rubber manufacturing facilities are nearly double the requirements."

Then, if your Honor please, I read what has been offered by the Government as Government Trial Exhibit No. 410. That is not in your book, and I am asking Mr. Scott to hand your Honor a loose copy.

It is a letter from Pierre du Pont to William S. Knudsen, vice president, Chevrolet Motor Car Company, dated July 27th, 1923:

"My dear Mr. Knudsen:

"I have learned recently that Chevrolet is dividing its orders for coated fabrics in order to have two sources of supply. While you have authority to make these arrangements, I do not wish to appear as approving. I am a firm believer that one good source of supply, properly maintained, is more reliable than two sources. I particularly condemn switching large orders from one source to another unless for very good reason. The temporary advantage gained through a contract at a lower price does not compensate having to support two plants where one would suffice. Doubtless you have given personal consideration to the case in question. I have no fault to find with the principle which would apply as well to other manufacture as of the du Pont Company."

[fol. 2102] By Mr. Harlan:

Q. And following that, do you know whether Mr. Knudsen, disagreeing with the view that you had expressed, went ahead and introduced a two sources of supply policy?

A. He did, yes, sir.

Q. And you made no attempt to interfere with it?

A. No, I thought he was doing the proper thing.

Q. Tell me, at the time that this correspondence took place, and this letter is addressed to Mr. Knudsen as vice president of Chevrolet Motor Car Company, what was your relationship, if any, to the Chevrolet Motor Car Company or the Chevrolet Division at that time?

A. I was president of it, but never in an active way. Mr. Durant had been president of Chevrolet and, when he left the company, that was turned over to me, but it was a nominal appointment.

Q. Now, I am handing you three government exhibits, Exhibit No. 420 and Government Exhibit No. 421, and Exhibit No. 422. I think his Honor should have copies of those.

Will you please look at these exhibits and I will ask you a question.

Have you examined those?

A. Yes, sir.

Q. Do you recall the episode that those letters relate to?

A. I think I do, yes.

Q. Will you please state what you recall?

A. The question came up as to whether the du Pont Company was receiving orders from General Motors for du Pont goods. That was referred to, I think, by my brother, Lammot. This is Lammot du Pont's reply to a question which I had taken up with him, stating what the condition was in the General Motors departments with [fol. 2103] respect to the purchases from du Pont.

Q. How did you come to take up with Lammot du Pont the question, to make the inquiry that he referred to?

A. I think that came up in a discussion introduced in the Finance Committee of the du Pont Company, but I don't find it stated here. I am not sure how it came up. It might have come through Mr. Coyne, whom you spoke of before.

Q. Do you recall a conversation with Mr. Coyne in this connection prior to your inquiry to Lammot du Pont?

A. I am not certain whether this event was with Mr. Coyne or whether it came from the discussion in the Finance Committee.

Q. Let me anticipate a moment and see if this refreshes your recollection. I hand you Government Exhibit No. 460, which is 1927 (the other event being in 1921), that relates to a Finance Committee discussion that I will ask you about in a minute.

A. Yes, I recognize that. Well, this first question must relate to the Coyne episode.

Q. Right. Now, having refreshed your recollection, as to the timing of this, 1921, can you state what you recall of your conversation with Mr. Coyne that led to your making inquiry of Lammot du Pont?

A. Only that Mr. Coyne had consulted with me on the subject, as he did frequently on different things. I knew him very well. He brought up the question whether General Motors was giving du Pont the orders that he thought they should. Being a salesman, his idea of what they should get was, of course, 100 percent. But I didn't agree with him on that. But I communicated with Lammot du Pont to find out what the situation was. I had no idea what it was.

[fol. 2104] This resulted in the letter to me, August, 1921, in which he describes the situation in various General Motors departments.

Q. Having received that reply from Lammot du Pont, what further steps, if any, did you take in reference to the Coyne conversation?

A. The letter of August 23rd that I hold here is to Lammot from me. I think it describes practically the situation, what the situation was.

I said, "It would seem from your summary that the Flint, Paint and Varnish and Fabrikoid interests are doing pretty well with General Motors; Scripps Booth being the only division that does no business with these companies.

"However, Scripps Booth is a small part of the General Motors and may be disregarded for the present."

Q. Now, did you take any steps following the receipt of Lammot's memorandum to you describing the extent of the purchases as they then existed from General Motors, as he understood them to have existed—did you take any steps in General Motors to try to influence General Motors to buy more?

A. No, indeed. That wasn't my province at all. That was with the purchasing people. I had nothing to do with that.

Q. Did you give any instructions or orders to any of your subordinates in General Motors that they should try to use their influence to induce such departments as were not purchasing from du Pont to buy more goods from du Pont?

A. No, that was with the purchasing agent and divisions of General Motors entirely. It wasn't my province.

Q. Now, in your reply to Lammot which is Government's Exhibit 421, you said this: "With the change in management at Cadillac, Oakland and Olds, I believe that you [fol. 2105] should be able to sell substantially all the paint, varnish and 'Fabrikoid' products needed; especially is this true of Cadillac."

Can you tell us what it was that you referred to in that paragraph with reference to the changes in management in those divisions?

A. Only that I was sure that the management in those divisions would be fair. It was up to Lammot and the du Pont Company to get the orders if they could.

Q. Do you recall that there was a change in management about this time prior to this communication in those three divisions?

A. Yes; there was.

Q. Do you recall what the circumstances were that gave rise to the change in the managers of the three divisions, Olds, Oakland and Cadillac?

A. Yes, I do.

Q. Will you state to the court what happened in that respect?

A. In the Cadillac Division, Mr. Collins, who was head of the division, had gone to or was preparing to go to

California on a trip, and he advised me that he had drawn out something over \$200,000.00 on his personal signature from Cadillac funds in preparing for the trip, which apparently he thought was all right to do. He was perfectly open in reporting it.

I objected seriously. I said such conditions shouldn't exist, and I found that it was done in the different departments—that the head of the department had a right to draw funds for his own account from the general funds on a single signature.

I objected seriously to this act of Collins and told him to pay the money back to the company immediately. He advised me after that that he had done so. But I discovered [fols. 2106-2107] covered that while he had paid back the money to the bank which he had drawn, he drew another draft of practically a similar amount on another bank, which he didn't report to me, and the result of that was that Collins left the employ of General Motors.

I think he may have been honest in intent, but it certainly was a very bad thing to have permitted and would not occur again in that division. We changed our method of signatures so it couldn't be done.

Mr. Ver Linden's case was quite similar. He drew cash out normally in payment of what he thought was due on some bonus arrangement that he had with Mr. Durant, but did it without leave and refused to return the money. On that account he left the company.

The head of the Oakland division was Warner. He left the company about that time for no reasons such as I have stated in the other two cases. I think he realized that the division had not been well run, and he preferred to retire rather than to try to make matters straight.

Q. Was the displacement of any of these three men because they had not been willing to buy enough products of du Pont?

A. Certainly not. It had nothing to do with it.

By Mr. Harlan: Now I offer some documents on that episode, if your Honor please.

Number one is du Pont Exhibit No. 63, which relates to Mr. Collins of the Cadillac Division.



(Said document so offered and received in evidence was marked du Pont Exhibit No. 63.)

[fols. 2108-2110] By Mr. Harlan:

Q. March 18, 1921, was a few months after you had succeeded Durant as president of General Motors?

A. It was, yes, sir.

Mr. Harlan: Next I offer what should be the next exhibit in your Honor's book, du Pont's Exhibit No. 64, a portion of which I would like to read. It relates to the Collins episode as well as to the VerLinden episode.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 64.)

[fol. 2111] By Mr. Harlan:

Q. And following this discussion with reference to these withdrawals, Mr. Collins was replaced as the Cadillac manager?

A. That is right.

[fol. 2112] Following that episode, Mr. VerLinden left the Oldsmobile division?

A. That is right.

[fol. 2113] Q. Who succeeded Mr. Collins as head of the Cadillac division following this episode, do you recall?

A. Mr. Rice.

Q. Herbert H. Rice?

A. Yes, sir.

Q. Who recommended him as successor of Mr. Collins, if you know?

A. I think it was Sloan and Mott.

Q. Had Mr. Rice ever been connected with the du Pont Company in any capacity?

A. No; I had never known him before he was put in as president. He was treasurer, I think, of the Cadillac Division before.

Q. Who succeeded Mr. VerLinden as head of the Olds Division, if you recall? Was it Mr. Hardy?

A. Yes.

Mr. Harlan: I take it there is no objection to my refreshing his recollection?

Mr. Harsha: No.

By Mr. Harlan:

Q. Alex Hardy?

A. Yes, sir.

Q. Who recommended him?

A. Mr. Sloan, and I think Mott, and I think I should have said Mr. Bassett also. Those three. I relied on their recommendations in all such things.

Q. Had Mr. Hardy had previous connections with the du Pont Company?

A. No, sir.

Q. Had you known him before?

A. No; I think I had not known him before he was head of the Olds Division.

Q. Finally Mr. Warner was succeeded by Mr. Hannum at Oakland?

A. Yes.

Q. Who recommended Mr. Hannum?

A. I think he was likewise recommended by Mr. Sloan, and Mr. Mott.

Q. Did he have any connection with the du Pont Company?

A. None whatever.

[fol. 2114] Q. What is your recollection as to whether you had known him before he was elected to succeed Mr. Warner?

A. I think I had never seen him before.

Q. Now, just a word about this Government Exhibit 460 which I handed you a moment ago. This refers to some kind of discussion in 1927 where a question of the purchases from General Motors of du Pont was raised. Do you happen to recall anything about that episode, how it came about?

A. I don't remember it particularly except that it is here stated that the question came up in the Finance Committee of the du Pont Company; that General Motors was not taking as much of the du Pont products as we thought they should take.

Q. Following that, do you recall whether any steps were taken by you or anybody else in the Finance Committee to influence General Motors to purchase a greater amount of products?

A. No, I am sure no steps were taken. That was not a

part of the Finance Committee meeting. That was brought out after the meeting. No action was taken by the du Pont Finance Committee.

Q. Now, do you recall an episode about which the Government has introduced some papers, and I refer to Government Exhibit 530 and a few succeeding ones where a man named Kerr came to you and suggested that he had a plan for reciprocity which might be useful to du Pont in its sales force?

A. I remember that, yes.

Q. Can you state what you recall of that episode and your part in it and how it ended so far as you were concerned?

A. Mr. Kerr was in the sales division of the du Pont Company and had been there a long time. In fact, he was [fol. 2115] my father's secretary as a very young man, and had come up in the du Pont Company. He had a plan with regard to sales and things of that kind, a technical plan, of which I did not know very much. He came to me with a proposal that some reciprocity arrangement be made between du Pont and General Motors in making purchases of materials, that they would endeavor to have du Pont and General Motors act as a unit in gaining favorable terms from people that they were dealing with, and I turned him over to the General Motors people for their opinion.

I was not particularly impressed with the idea, but knowing nothing of the subject, I refrained from expressing an opinion.

It was turned over to them, to Mr. Sloan, and nothing came of it. I doubt if General Motors took it very seriously.

Q. That ended your connection with the episode?

A. That is right.

Q. Now, just a question or two more. Do you recall this memorandum dated March 24, 1922, which is Government Exhibit 610, which you wrote to Mr. Irene du Pont?

A. Yes, I remember that.

Q. On the subject of tetraethyl lead?

A. Yes, sir.

Q. And do you recall that prior to writing this memorandum you had some conversation with Mr. Kettering?

A. Yes, I do.

Q. About the subject?

A. Yes, I do.

Q. Will you state what you can recall of the conversation with Kettering?

A. The conversation occurred at Dayton. I was visiting a plant there; and Mr. Kettering who was in charge spoke about this discovery that they had made in his laboratory [fol. 2116] of adding a material to the gasoline which would prevent the knocking of the engine, which was quite a problem in motor construction.

He stated that they tried—I think he mentioned aniline and some other things, possibly, but he recently found that tetraethyl lead was the best substance that they had ever had by a great deal.

And he wanted to try and get production of it—it was not a commercial article then,—and he suggested that the du Pont people should talk with him about the subject. I doubt if he said at that time that he wanted the du Pont people to make it for him, but he wanted to talk to the du Pont chemists about the whole subject.

He mentioned at that time that tetraethyl lead was very poisonous and would have to be dealt with very carefully, but even then I don't think he really knew the danger.

Q. And that resulted in your memorandum that you just looked at to Irene, du Pont?

A. Yes.

Q. And from there on he carried the ball in the discussions with Mr. Kettering?

A. Yes, that's right, when the du Pont Company made a deal with Kettering, I didn't take any part in it.

Q. Now, the record shows that you resigned from the Executive Committee of General Motors in 1929, I think, and that you resigned as Chairman of the Board in 1929, and that you resigned as a member of the Finance Committee in 1937, and resigned from the Board in 1944.

Since 1944 have you held any office or directorship or committee membership in General Motors?

A. No, I haven't.

Q. I want to spend just a moment on your resignation in 1923 as president of General Motors. The record shows that you resigned in May of 1923.

A. That's right, yes.

[fols. 2117-2118] Q. What was the occasion for your resignation?

A. Well, because we found a man to take the place, which was the original plan, that I was to take the presidency temporarily until a better man was found, that knew the job better, and he had been discovered, or at least I thought he had, and I recommended Mr. Sloan as my successor.

Q. And he was duly elected by the General Motors Board?

A. Yes, sir.

Q. I want to ask you a question or two about the Wilmington Trust Company, before I close my direct examination of you.

Government Exhibit No. 1309 shows that you were a director of the Wilmington Trust Company from 1903 to 1920, and again from 1924 to date. Have you been a regular attendant at the meetings of the company?

A. Regular? I should say more irregular. I very seldom have gone to the meetings in recent years, but originally, I think I was a fairly good attendant, but in recent years I have not attended practically at all.

Q. And this same exhibit shows that you were a vice president of the Wilmington Trust Company from 1903 to 1935.

What did you do as vice president of the Wilmington Trust Company?

A. I had no duties whatever. I may have put a signature to a paper occasionally when it was presented to me, after examining what the paper was, but I had practically nothing to do with the administration.

Q. Then the record further shows that you were honorary chairman of the board from 1935 to date.

What were your duties as honorary chairman?

A. No duties.

Q. Sir?

A. No duties whatever.

[fol. 2119] (Witness temporarily withdrawn.)



IRENEE DU PONT, resumed the stand, having been previously duly sworn, testified further as follows:

Direct Examination (Continued)

[fol. 2120] By Mr. Harlan:

Q. Now I want to direct your attention, please, to du Pont's first investment in 1917 in the stock of General Motors Corporation.

First of all, let me ask you whether for some years prior to that investment you had held various amounts of General Motors stock for your own personal account.

A. That is correct.

Q. There is in evidence already, if your Honor please, as Government's Trial Exhibit No. 115, a record of those personal holdings, which your Honor might want to glance at.

This paper that I hold, Government's Trial Exhibit [fol. 2121] No. 115, shows that you purchased 400 shares of General Motors Company's stock in 1914, a total investment of about \$27,000 at that stage.

Do you recall the circumstances under which you came to make that purchase?

A. Not particularly. It was a minor investment in a company that I knew comparatively little about, but it had been falked up a great deal by John Raskob, and I had certainly enough faith in him to take a fling, if he thought it at good one.

Q. Did you know at the time that you bought the stock that your brother Pierre held stock in General Motors?

A. I think not.

Q. What about as to the fact that Mr. John Raskob held any stock?

A. I would say he must have had some, he was so enthusiastic about General Motors.

Q. Did you consult your brother Pierre in any way before you accepted John Raskob's suggestion and bought 400 shares of General Motors stock?

A. I did not consult Pierre, and I don't think it was John's suggestion that I buy it. He just simply was such

a bull on the future of the motor industry that I thought it was worth buying.

Q. Between 1914 and 1917, did you attend any meetings of General Motors following the purchase of this stock, either stockholders meeting or any other kind of meetings?

A. I did not.

Q. To what extent during that interval did you undertake to keep abreast of General Motors' Affairs?

A. Practically nothing.

Q. Did there come a time in 1917 when you learned of the recommendation that Mr. Raskob made that the du Pont Company should itself make an investment in General [fol. 2122] Motors stock?

A. I don't think I heard of that until either the same day or very shortly before the meeting of the Finance Committee at which that suggestion was presented.

Q. Before I come to that, let me hand you a document which is in as du Pont Exhibit No. 45, and since I want to ask you to identify some handwriting on it, I will show you a photostat of that exhibit.

There is no objection to that, is there?

Mr. Harsha: No objection.

Mr. Harlan: I think perhaps I will have it marked then, if there is no objection, your Honor.

I will ask that this photostat I am using be marked as du Pont Exhibit No. 45-A so we will know what we are identifying.

The Court: No objection.

(Said document so offered and received in evidence was marked du Pont's Exhibit No. 45-A.)

By Mr. Harlan:

Q. Will you look at what has now been marked as du Pont's Exhibit No. 45-A, which is this memorandum. There is referred to here the du Pont associates—P. S. du Pont associates, this proposal of an individual Wilmington group—Durant partnership in General Motors.

Look at the photostat of that, 45-A, and tell me whose handwriting that is on the second page of the photostat and any subsequent pages that you find handwriting on.

A. This handwriting on the second page is undoubtedly mine.

Q. Any more handwriting on any of the other pages? [fol. 2123] A. This diagram is mine. I made that. I made the original of it.

The Court: Pardon me, counsel. Is that 45?

Mr. Harlan: 45 is the print, your Honor. I will hand your Honor 45-A.

The Court: I have it.

Mr. Harlan: This is the photostat of the same document, the handwriting on the second page there being what Mr. du Pont has identified as his own.

Q. Do you recall what if anything came of the proposal that is reflected in that paper that you have just looked at?

A. No, nothing did come of it.

Q. Did you attend the meetings of the du Pont Finance Committee on December 20, the joint meetings of the du Pont Finance and Executive Committees of December 20 and 21, and the Board meeting of December 21, which resulted in the approval by the Board of du Pont making a \$25,000,000 investment in the stock of General Motors Corporation?

A. I attended all of those meetings.

Q. And you were present throughout the meetings?

A. Yes, sir.

Q. Will you state from your recollection of those meetings what the considerations, factors and objectives were, as you recall them, that led to the making of that investment on the part of du Pont?

A. I think the discussion and the differences of opinion were almost entirely a question of whether motor building and an investment in General Motors was too far afield from our experience and abilities to warrant our going into it. That was a pretty telling argument.

[fol. 2124] On the other hand, those who approved the idea and talked it up—that is a bad expression—who approved of it and backed it up at the meeting were all clear in their heads that we did have a contribution; that it meant a very great deal to have control of the financial end, so we would be assured that that would be will run by men who had had considerable experience, and it was the

only weak point apparently in Mr. Durant's organization, and he had suffered from lack of it before.

We felt that that would be a great contribution to make. Therefore it was a good thing for us to go in. We could be of use and enhance the value of our investment.

Q. What arguments, if any, do you recall were put forward by Mr. Raskob as to the desirability from the du Pont Company's point of view of having this investment?

A. In the oral discussion he did not mention anything about what we might expect to buy or sell to and from General Motors. That was down in his written report, but I don't think that was discussed at all. I have no recollection of the question having been discussed.

Mr. Harsha: Your Honor, I move to strike. I don't think that is responsive to the question.

The Court: Sustained.

The Witness: I didn't hear that.

Mr. Harlan: Mr. Harsha made an objection that you gave an answer that was not responsive to my question, so I will put the question again.

By Mr. Harlan:

Q. Do you recall what arguments were made by Mr. Raskob that were advanced by him as to why it was good [fol. 2125] for du Pont, why he thought it was good for du Pont to make this investment?

A. He put in the argument, which no one could refute, that the motors industry as an industry was in a rapidly expanding position; that it ought to have a great future; that everybody needed a car, and that this expansion would come just at the time when our contraction was coming, by the end of the war, and the ceasing of the big powder orders, so we would have plenty of manpower who could, maybe, be of use in such an investment.

I think those were his big points, and we had men who could be let go to go to General Motors.

Q. I hand you Government's Exhibit No. 124, which is the so-called Raskob report, and direct your attention to Item 5 under the summary of the report, where Mr.

Raskob refers to General Motors purchasing "Fabrikoid," et cetera.

Do you recall that item in the report?

A. That is the point that I have mentioned just a moment ago.

Q. Do you recall the item?

A. That was not discussed.

Q. Just a minute, Mr. Harsha will object unless you confine your answers to my questions.

Do you recall that item in the report?

A. I do.

Q. What discussion was there of that item at any of these meetings that you have told us about?

A. I recall no discussion of it whatever.

Q. Please listen to this question because I want to avoid an objection.

In your voting as a director of du Pont in favor of making this investment, what part did that suggestion in Point 5 play in your vote in favor of the investment?

A. None whatever.

[fö1. 2126] Q. Can you explain why that was the case?

A. It was something that couldn't be measured and must be negligible. It couldn't have any weight as compared to investing \$25,000,000 in a rapidly growing industry.

Q. I notice from the Board minutes that among the three directors who dissented from this approval of the investment was Mr. A. Felix du Pont. Is that the same Mr. A. Felix du Pont who was a member of the original Christiana group when Coleman's stock was purchased?

A. It was.

Q. Before any of these meetings at which the General Motors investment was considered by the du Pont Company, did you have any figures as to the volume of du Pont sales to General Motors?

A. No.

Q. Or the volume of its sales to the automotive industry in general?

A. No.

Q. Or did you have before the meetings any figures as to General Motors purchases from du Pont at that time?

A. No.



Q. Or as to General Motors requirements for products such as those referred to in Mr. Raskob's report?

A. No.

Q. Are you familiar with the circumstances under which, late in 1920, the du Pont Company participated in the purchase of certain General Motors stock that was held by Mr. Durant?

A. I am afraid I missed that.

Mr. Harlan. Strike it out.

By Mr. Harlan:

Q. Do you recall the circumstances in 1920 under which Mr. Durant's stock was purchased by the du Pont Company?

A. Yes, sir.

Q. General Motors stock, I am talking about.

A. Yes, sir, when he was in trouble.

[fol. 2127] Q. Will you state the purpose of your participation in the events leading up to that transaction; what happened leading up to the purchase of the stock?

A. I was an audience in those meetings to a considerable extent so that I can give you a general impression of it. I was not one of those who audited the accounts from the brokers, and I took no active part in the mechanism of it.

At the time, Mr. Durant had borrowed against his stock, General Motors stock, as collateral very large sums of money. I think it proved to be something like \$30,000,000.00 when the accounts were in, and the brokers were clamoring for more collateral because of the decline in the market. He could not put it up, and it was found out later abruptly by our people, and they were disturbed, and they were still more disturbed when representatives of the Morgan people sat in a meeting, and said certain of the banks might become involved, and certainly a number of brokerage houses might fail, and that might cause a run or call of the loans on General Motors—well, they did not say that latter, but that was clearly in the mind of some of these people present.

Q. Without regard to details, do you recall that the du Pont Securities Company was formed as a means to finance that purchase?

A. Yes.

Q. I won't go into the details of that, because it is documented already.

Do you recall subsequent to that purchase the du Pont Company purchased Durant's interest in the equity, so-called, Durant's interest in the du Pont Securities Company?

A. They did.

Q. Do you know why that was done?

A. I think at his request.

[fol. 2128] Q. Following that, do you recall that the du Pont Company issued some \$35,000,000.00 of its bonds or notes in 1921 to permanently finance these acquisitions and other commitments with General Motors?

A. I do.

Q. What was the reason for du Pont issuing those bonds?

A. The General Motors Company still owed very large sums of money, and the rescue party had borrowed, with General Motors stock as collateral, and the banks very properly felt that they could not expand General Motors credit while this added load was collateralized practically by the same property, and for that reason we brought out the new issue which was an obligation of the du Pont Company.

Q. Now, Mr. du Pont, you were president, were you not, of du Pont Company from 1919 to 1926?

A. Correct.

Q. Following the General Motors investment, you became a member, did you not, of the Finance Committee of General Motors?

A. I did.

Q. I want to ask you as to your attitude and viewpoint, as to the considerations you felt should govern the trade relations between General Motors and du Pont following the making of that investment by du Pont?

A. I don't think that I had very much feeling about it or gave it much of a thought. It is not up my alley, as they say, but I would expect that a big corporation like that, or the steel corporation or Ford would buy some from us, but that was all.

Mr. Harsha: I object, your Honor. That is going beyond the scope of the direct examination. I would like to ask that that last be stricken.

The Court: Overruled.

[fol. 2129] Mr. Harlan: Maybe you can take up from there. The stenographer is going to read your answer up to the time you were interrupted.

(Answer read.)

By the Witness:

A. I think I would expect the same kind of treatment that we would get from the steel company.

By Mr. Harlan:

Q. Did you ever hear it said, until this lawsuit was filed by the Government, that General Motors had some kind of deal with du Pont, that it preferred du Pont products?

A. I never did, no.

Q. Did you ever undertake, in any of your activities, to try to persuade the purchasing people of General Motors to purchase greater amounts of du Pont products?

A. No.

Q. Now, the Government has put in evidence what appears in Government's Exhibits Nos. 516, 517, 518 to be a series of resolutions by the du Pont Company in 1918 calling upon the du Pont people to purchase cars and trucks from General Motors.

Do you remember that episode?

A. I remember that episode, yes.

Q. What was the reason for that kind of a resolution or that kind of decision?

A. Well, I think whoever originated it thought if we took nothing but General Motors trucks and automobiles, that the profits on those purchases would enhance the value of our stock in General Motors, and we were satisfied it was [fol. 2130] very good material. Why shouldn't we buy it so as to get the benefit, as it were, of a discount.

Q. Was there any discussion that you had with Mr. Durant prior to the adoption of these resolutions by the du Pont Company?

A. No, sir.

Q. Did you ever advise him in advance you were going to take such steps?

A. No, sir, I did not.

Q. Now, there are some papers in evidence that relate to the cancellation of certain "Fabrikoid" contracts, Government Exhibits 306-310.

A. Yes, sir.

Q. That du Pont had with Buick, the Buick Division of General Motors in 1920 and 1921. Do you recall that episode?

A. I do.

Q. Will you state what you can recall about how it came about and what the nature of it was, and your participation in it?

A. My participation started following the claim that General Motors had refused to make good on gray goods purchased to make "Fabrikoid" on their account, on a firm order, and I found that was correct.

They did not deny it. Finally, it got to be so that I interviewed Mr. Sloan on the subject. He explained their position by saying that if he were required to make good on the contracts, after this tremendous decline in the value of the material, for everybody like we were asking for du Pont, it would mean a receivership for General Motors Company.

He said he did not see how he could treat us any differently from others, and we agreed to let it go at that, and cancel it, and it cost us nearly a million dollars, somewhere in that neighborhood.

[fol. 2131] By Mr. Harlan:

Q. Mr. du Pont, do you recall the episode of the discovery of what later became "Duco"?

A. Yes, sir.

Q. Will you state what you recall of the chain of circumstances that led to that?

A. I was not present at the experiment that brought into being "Duco," but I heard about it very soon afterwards.

It was on the 4th of July of 1920. They shut down the power house at the Parlin plant where experiments were being tried, in the manufacture of the film which is the backing of a photographic film. It is a thin nitrocellulose band, as you know.

They had had trouble with making these backings be-

cause when they are run through a camera, the rubbing in cold, dry weather would make static electricity on the backing, and that would make a little exposure, a little flash would go by, and of course, would spoil the film.

They were trying experiments to eliminate that by putting different things in the material that the backing was made of, to make it a better conductor. They had reached the point where they had found something which substituted very well indeed.

At the time of the shut down of the boiler plant, the experiment shut down, and it was some forty-eight hours [fol. 2132] before they started to try to cast film again from a drum of material they had which was all ready only two days before, and to their amazement the contents of the drum had become so limpid and so fluid that you couldn't cast it on a wheel. It would be just like trying to cast water on a wheel; it would run right off.

Now, that put into them the thought that if so, why not put some pigments into the stuff and make lacquers with very heavy pigment-carrying power, so you would get a thick layer of lacquer instead of a thin one for each coat, and they found it would work, and that was "Duco."

Q. After "Duco" commanded interest on the part of automobile companies, as a means of painting cars, do you recall an episode where you, as president of the du Pont Company, were requested on behalf of General Motors to give General Motors an exclusive contract for "Duco"?

A. Yes.

Q. Will you state what you can recall of that episode?

A. I received a letter from my brother Pierre, then president of General Motors, asking whether we wouldn't enter into a contract with General Motors by which they had first call on the entire output of our "Duco" plant, and I replied to that that we couldn't do it for the reason that we had outstanding agreements with others, and we also wanted to make its use general everywhere, and we wouldn't therefore, agree to turn our entire output over to any one concern.

Mr. Harkan: The reference is to the two Government exhibits on that subject, which I won't bother to read,



but it is Government's Exhibit 377 and Government's Exhibit 380, if your Honor please.

[fol. 2133] By Mr. Harlan:

Q. Now, Mr. du Pont, are you familiar with the reasons and objectives behind what became known as the Managers Securities Plan?

A. Yes.

Q. That was adopted in 1923 in General Motors?

A. I am familiar with that.

Q. Will you state how that plan came about and what the purpose of it was.

A. If you will let me answer that in reverse, I will tell you the purpose first and it will make it very much easier to understand the rest of it.

We were believers, I think, in the du Pont Company that owner-management was of great benefit to a company. The whole bonus plan was an implementation of that because it had gradually built up—if you paid the bonuses in stock, it made them gradually owners, those who were beneficiaries under the bonus plan would become really partners by owning a small amount of stock, and as time went on the amount that they had would accrue, get bigger, because they would get several years' bonuses in succession during the period.

Not only that, but you will recall, I think, in the testimony before, that T. C. du Pont, in 1914, had made an offer to the du Pont Company to give or to sell to the principal men in the du Pont Company, new and active men, about one-third of his interest; 20,000 shares—I think he had about 63,000 shares, if I remember rightly. That showed that he wanted owner-management at that early date. That was a decade before this.

Not only that, but going further back, Mr. Duke told me that he had a plan of awarding his principal assistants and that he had the pleasure of distributing \$60,000,000 among [fol. 2134] 66 men, when they made the American Tobacco Company split up or break up. Mr. Carnegie did it, and Ford. I am showing that it worked there, too.

With that, and the general common knowledge that a farmer on a farm, if he owns it himself, will do better than if he is a hired man for an absent landlord—that kind of

thing is well known everywhere—or that the owner fattens the horse, which shows that ownership makes you more eager to make it go well.

That being the case, we wanted to make things go well in General Motors, Durant having left there, we had his stock, and it seemed the logical way was to figure out some sort of a scheme by which the principal men would become owners with us in the General Motors enterprise.

With that picture, Don Brown and John Raskob, I believe, were asked or did make up a plan. It had ramifications because every once in a while we would find that there was a defect in a batch of ideas, and it ended up this way: that we would take the du Pont holdings in General Motors, which was, I think, then in the hands of the du Pont American Industries or some subsidiary, and we would let that company acquire the Durant stock in addition, and give stock in the company, sell stock in the company, this holding company, to the General Motors men.

If we sold the stock directly to the men, we would become involved in very high profit taxes, which we didn't want to do, profit taxes for doing nothing, because we could get the same result by selling them stock in this holding company, which was new stock and therefore there was no profit in it.

I think that was the underlying thing. It makes it confusing because of that ramification of having a holding company injected in between. The rest of it just went the way that Coleman's plan was, to get somebody competent to select who the partners were, and we would furnish the stock at a price which we thought was low:

[fol. 2136] By Mr. Harlan:

Q. Do you recall when the original plan was proposed that you had certain objections to the plan from the point of view of the du Pont Company?

A. Yes, I objected to the plan that was proposed at that time. It was modified later and I voted for it, the final one. [fol. 2137] Q. What was the initial objection that you found with the plan as originally proposed?

A. Well, there were two objections. One was that we were selecting our partners before they performed, and it would be better to select them after they performed, as you do in a bonus.

They easily convinced me that that wasn't very material, and it proved not to be very material.

The other objection was the unilateral aspect of the sale of the stock. We were to be paid out of earnings which accrued to the stock we sold, and when those payments aggregated the value that we sold it at, why, we wouldn't have the stock, but we would have the accruals to that stock up to that time.

Whereas, if we held the stock without giving it away, as it were, selling it, we would get not only the accruals, but when those accruals ended we would have the stock, too. It looked very short sighted.

Of course, that could be simply cured and was simply cured; General Motors guaranteed these payments to the extent of \$2,000,000.00 a year, whether they were earned or not, so that we were assured of getting \$2,000,000.00 a year, and therefore, it became an arm's length sale.

Q. Do you recall that before that final solution to your objection was adopted that you made some other proposal as a means of handling it?

A. Why, yes. I thought the down payment was too small; that they ought to give us assurance of a reasonable amount, and they did change the amount by putting up, well, more than a nominal amount. I think it was four million. I think they put up something like that.

Q. Do you recall in the discussions of your objections [fol. 2138] that at one stage you proposed that the du Pont Company should sell the General Motors stock directly for cash to the General Motors, and then General Motors could finance the resale to the executives; do you recall that?

A. Yes, I recall that.

Q. Do you recall why that was not done?

A. It would have involved us in a huge profit tax and also, I think, there was some legal defect that Laffey found, that a corporation incorporated in the State of Delaware, and I think that is where General Motors was, could not invest its cash in its own stock or buy its own stock.

Q. You have referred to Mr. Laffey; who was Mr. Laffey at that time?

A. He was general counsel of the du Pont Company at the time.

Q. Do you recall that you presented to him your objec-

tions to the plan as originally proposed and your proposed solution of your objections, and that you got an opinion from him?

A. That was the same. Laffey, yes.

Mr. Harlan: I offer, if your Honor please, du Pont Exhibit No. 91. This is an opinion letter, a memorandum, from Mr. Laffey to Mr. Irene du Pont, dated August 18, 1923.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 91.)

Mr. Harlan: If your Honor will turn to page 3, at the bottom, the second sentence in the last paragraph, you will find that Mr. Laffey there points out that if Mr. du Pont's suggestion that General Motors stock itself should be sold for entire cash to the General Motors Corporation with the General Motors Corporation then financing the resale of [fol. 2139] that stock to the General Motors executives on some kind of a deferred payment plan against the security of the General Motors stock itself, Mr. Laffey points out that under the then Delaware Corporation law, as it then stood, that would be a violation of the law because of the provision that the corporation could not loan money against its own stock.

He therefore pointed that out as a fundamental objection to the idea that the stock should be sold entirely to General Motors for cash, and then sold on an installment basis against the security of the stock by General Motors Corporation to its executives. That was the first suggestion.

If your Honor will then turn to the fourth page, the sentence in the middle that begins with the words, "However, the following may be noted—"

He points out there that if the General Motors stock, whether on an installment basis or on a full cash payment basis, was sold by the du Pont Company to General Motors or Managers Securities, that would expose the du Pont Company to a capital gains tax represented by the difference between the original cost base of the General Motors stock and the price at which it was being sold; and that that problem could be avoided as proposed in the original plan and the tax problem could be avoided by selling not the General Motors stock, but the stock of this holding

vehicle, General Motors Securities, newly issued stock, which being newly issued stock would not stand with the base of the original base underlying General Motors stock.

Finally, as to the third objection, under the proposed plan which contemplated that the deferred balance of the purchase price would be paid by notes of the purchasing company, Managers Securities, Mr. Laffey pointed out that if [fol. 2140-2141] that were done, du Pont would then have to pay an income tax, corporate income tax, on the interest represented by those notes, whereas under the then law the dividends on stock were not subject to corporate income taxes.

By Mr. Harlan:

Q. Do you happen to recall whether under the final plan that was cured?

A. Yes, that was cured. It was cured by putting out preferred stock in the place of notes.

[fol. 2142] Mr. Harlan: Mr. Irene du Pont, will you resume the stand, please.

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IRENEE DU PONT, a witness on behalf of the defendants, having been previously sworn, resumed the stand and testified further as follows:

Direct Examination (Continued)

By Mr. Harlan:

Mr. Harlan: If your Honor please, the line of evidence which I am going to present this morning relates to the Government's charges that the manufacture of tetraethyl lead by du Pont was the result of some kind of a division of fields agreement between General Motors and du Pont, and the testimony for the balance of Mr. Irene du Pont's examination will be addressed to that charge.

By Mr. Harlan:

Q. Mr. du Pont, prior to the discovery of tetraethyl lead by Mr. Kettering and his associates, had the du Pont Com-



pany done any work in the field of fuel combustion research at Mr. Kettering's request?

A. They had.

Mr. Harlan: I offer, if your Honor please, du Pont Exhibit 93, which is in the second book, your Honor, which is a letter dated April 20, 1916, from Mr. Kettering—it is not signed as such, but there will be no dispute that he was the author—to Mr. Frederic W. Kurtz, care of du Pont Company, Henry Clay Postoffice, Delaware.

[fol. 2143] By Mr. Harlan:

Q. Do you happen to recall anything about the subject matter of this letter, in 1916?

A. I do not.

Q. From the address, Henry Clay Postoffice, Delaware, what was that postoffice with relation to the du Pont Company at the time?

[fol. 2144] A. The experimental station was located there at that time. There were no other industries at that address.

Mr. Harlan: Bearing in mind, your Honor, this letter is dated April 20, 1916, I should simply like to point out that this letter was written more than a year and a half prior to the du Pont Company investment in General Motors in 1917.

By Mr. Harlan:

Q. Do you happen to know, Mr. du Pont, whether in 1916, Mr. Kettering, or the Dayton Engineering Laboratories had any connection with General Motors Corporation?

A. I think not, but I don't know. That was at the beginning of the war.

Mr. Harlan: I think the record will state, or will show, if your Honor please, and if not, I think it is a fact that Mr. Kettering at this time, and the Dayton Engineering Laboratories had no connection with General Motors, and that connection did not ensue until some time in 1919.

Mr. Harsha: I believe that is correct, Counsel. I believe they were a part of the United Motors at that time.

Mr. Harlan: Yes, it is in the record.

By Mr. Harlan:

Q. Now, following that episode, or following that date, can you state in general what work in the field of fuel combustion was done by du Pont for the Dayton Engineering Laboratories or General Motors, and under what circumstances it was done?

A. I think it was the General Motors Company or Kettering, which I am not quite sure, asked the du Pont Company [fol. 2145] to try out certain organic chemicals and to prepare organic chemicals which might be expected to be anti-knock. It was carried on for a period of about six months before the discovery of tetraethyl lead, and nearly a year before I heard of the discovery of tetraethyl lead.

Q. At whose request, if you recall, was that work on the part of the du Pont Company undertaken?

A. It was either Kettering or General Motors. I classified them as the same thing at the time.

Q. I wonder if you could indicate, Mr. du Pont, what the relation was at that time, or what the interest was in fuel research in relation to the manufacture of automobile engines.

A. I think the best way to describe that is that the knock in automobiles seriously interfered with the power output per gallon of fuel. In other words, it was very wasteful to have an engine knock. It would not deliver full power. Certain chemicals had been found which tended to reduce that. Benzol was one of these, and I won't mention any names of any firms, but they put that in in a big way, and made a great thing of it, that their gasoline was better than the untreated gasoline, but there was not enough of the chemicals to go around because it required large quantities to get the effect.

Q. Do you recall now, prior to the discovery of tetraethyl lead, the occasion when you were requested to engage in the manufacture or increase the manufacture of aniline?

A. Yes, sir.

Q. Can you state what source that request came from and what it was related to?

A. That came from Mr. Kettering, because this organic chemical does have considerable anti-knock powers. He made a request for an enormous quantity of aniline, far beyond [fol. 2146] what we could manufacture, and we de-

clined to put up a factory just at his request. By the time we got nearly started to see whether we could make it for them, they preemptorily told us it would not be needed.

Q. Is aniline the same thing that you referred to in your testimony, that was made by the du Pont Company in connection with the manufacture of diphenylamine?

A. Yes, sir.

Q. So nothing came of that in connection with fuel research?

A. That request for a large volume of aniline just died away.

Mr. Harlan: Now, if your Honor please, I offer du Pont's Exhibit No. 94, which is a letter from C. M. Stine, Assistant Director.

By Mr. Harlan:

Q. Who was Mr. Stine at that time in connection with the du Pont Company?

A. He was a director of research, I believe, at that time. That is what his job was anyhow.

Mr. Harlan: Addressed to Mr. C. F. Kettering, President, The Dayton Engineering Laboratories Company, Dayton, Ohio, dated February 2, 1920.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 94.)

[fol. 2147] By Mr. Harlan:

Q. What was the Eastern Laboratory, Mr. Irene?

A. It was the research station located at the plant across the river.

Q. The laboratory for the du Pont Company?

A. Yes, sir. The original research was high explosives. [fol. 2148] Next, if your Honor please, I simply refer, or offer, rather, du Pont Exhibit No. 95, which again is a letter from Mr. Stine, or a memorandum from Mr. Stine to Mr. Lamont du Pont, dated May 1, 1920, the subject being Knock Suppressors for Automobile Motors.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 95.)

I next offer du Pont Exhibit No. 96, which would be the next one in order in your Honor's book, which is a letter from Mr. Kettering who was then president of The Dayton Engineering Laboratories Company, dated August 17, 1920, addressed to Mr. Lammot du Pont.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 96.)

[fol. 2149] I next offer du Pont Exhibit No. 97 which is a letter from Mr. Midgley, Chief Engineer, Fuel Research Section.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 97.)

By Mr. Harlan:

Q. Was he in General Motors, Mr. du Pont?

A. He was in The Dayton Laboratories.

[fol. 2150] By Mr. Harlan:

Q. Do you happen to know whether or not the reference to this new antiknock material at this time, in April of 1921, referred to what became known as tetraethyl lead, or to something else?

[fol. 2151] A. I didn't know it at the time, but looking back on it I am quite sure it referred to tetraethyl lead.

Q. Let me ask you, had Mr. Kettering ever been employed by the du Pont Company at any time?

A. Not so far as I know.

Q. Now, when was it that you learned for the first time, Mr. du Pont, as to the discovery by Mr. Kettering and his associates of tetraethyl lead?

A. It was the March following the discovery. Pierre sent me a communication which disclosed that tetraethyl lead had been worked on by the Dayton Laboratories.

Q. I hand you what has been marked Government's trial Exhibit No. 610, and ask you whether this is the communication that you referred to as notifying you of the discovery of tetraethyl lead?

A. Yes, sir.

Q. Now, I notice on the first page of that memorandum certain handwriting. Whose handwriting is that?

A. That is my handwriting, and that is how I can identify the letter.

Q. Can you translate the handwriting which is a little illegible there? What do those notations mean?

A. "Speak to P. S. '3-28"—and then following in figures that look like "31", but is meant for "3:00 o'clock". That is, 1931 was at that time nine years ahead. The words under that are "Re poisonous properties". In other words, I was making a date for Pierre for March 28th at 3:00 o'clock which was the General Motors meeting in New York, following the date that I received this letter by two days, and the poisonous properties I was aware of at that time. I do not know whether I got it from the communication that I received then or not, but I felt sure it would be poisonous because of the soluble lead compound. [fol. 2152] Q. What would be poisonous?

A. Tetraethyl lead.

Q. Now, this memorandum is dated March 24, 1922. After getting that communication from Mr. Pierre du Pont, what next happened?

A. I was advised that Mr. Kettering would get in touch with me on the subject of tetraethyl lead. I had expected him to make an early date, but quite a little period had elapsed before I got an invitation to go to Dayton and talk to him about it.

Q. And from whom did you get such an invitation?

A. From Kettering.

Q. Did he telephone you about it?

A. I am not sure if it was the telephone or not. I couldn't find any letter about it, or engraved invitation, so I suppose it was a telephone call, although I have no recollection of how I heard it.

Q. Was that sometime after the memorandum that you have just looked at?

A. Yes, sir, I think that was—I think it was July that I went out there, so there was quite a little elapsed time between March and then.

Q. So irrespective of the exact date, did there come a time when you received an invitation from Kettering which took you to Dayton?

A. There did. I went out there.

Q. And did you see Mr. Kettering?

A. I did.



Q. Will you tell us what the conversation was at that time that you had with Mr. Kettering?

A. It was purely on the subject of the best way to enter the manufacture of tetraethyl lead, and I thought I had sold him the idea that he ought to come to the du Pont Company on account of our previous experience in the manufacture of dangerous chemicals. I thought I had him pretty well convinced.

Q. What was his attitude towards your suggestion that you were qualified to make this material?

[fol. 2153] A. That is what rather astonished me. I thought I was a very good salesman, he came so easily to the idea, and he was quite enthusiastic; I thought, about letting us make it, but he did not suggest writing a contract then and there.

Q. Was there anything said by him to indicate that he or General Motors were considering the commercial manufacture of tetraethyl lead?

A. He didn't mention manufacturing commercially at all, but he did say they had prepared some in the laboratory experimentally, and he didn't apparently care to mention going into it.

Q. Did he mention it?

A. I don't think so.

Q. What was the process that was to be used in the manufacture of tetraethyl lead at this stage?

A. The method they used in the laboratory was to put together an alloy of sodium and lead, and treat that with ethyl bromide under slight pressure and heat. That would convert it into ethyl lead. I won't go through the intermediate reactions in between.

Q. You would be talking way above my head, at least, if you did.

A. Over mine at the time, too.

Q. What was the process known as?

A. It was referred to later as the bromine process. That was in contradistinction to making it from ethyl chloride instead of ethyl bromide.

Q. You have referred in your testimony a few minutes ago and in your memorandum, Government Exhibit 610, to the poisonous characteristics of tetraethyl lead. I wonder

if you could explain a little more what the characteristics were and what the hazards were as they appeared in manufacture.

A. The material is quite poisonous. It is a soluble material, so that if it gets onto the skin it will penetrate the [fol. 2154] skin and the poison will get into the system. That makes it very treacherous because workmen working in it could get a very little amount on their hands or get some on their glove or get even their shoes wet with it, and would show signs of lead poisoning quite early. If not immediately corrected, they are apt to die of it.

Q. Following your visit to Dayton that you have just described, what next happened?

A. I got a communication from Kettering asking whether he and some of his men could come down and look over Deepwater Point where we proposed to make it. That is where we made all that type of organic compounds. He wanted to come down so he could see for himself just what we had.

I arranged a meeting for him to come down. He arrived with two of his specialists, I might call them, and they were looked after by the Eastern Laboratories. I did not go with them to the station at that time.

Q. Was this shortly after your July visit to Kettering, or what period of time was it? A matter of weeks or months?

A. I think it was about a week or thereabouts.

Q. Did you see Mr. Kettering on that occasion?

A. I don't think I did. The reason I don't think I did, I think I would have gone over there with him had I been available. I think I must not have been available at the time.

Q. What resulted after that visit to Deepwater?

A. I think they gave them a very good picture of what they had, and he was a little bit, I think, astonished at the elaborate apparatus and reactions that were being carried on. I think that made him still more convinced that we were the right people to handle the job of manufacturing.

Q. Were any steps taken following that visit to construct a semi-works plant or a small plant of any kind for [fol. 2155] the commercial manufacture?

A. There were, yes. I don't think I was in on the negotiating of that. They put up a small plant and manufactured on what we would term a semi-works scale.

Q. At whose suggestion or request was the plant constructed?

A. I couldn't say if it was at the request of Kettering or not. I am a little bit hazy on who started it. I think it unlikely we would have gone ahead and done it without his assent.

Q. Now, this is July, roughly, of 1922 that we are in, right?

A. Yes, sir.

Q. What do you recall then as the next train of events, having constructed this small plant?

A. It wasn't until October that we entered into a formal contract to make a larger plant. The period in between there, I think, we were carrying on research on the semi-works scale plant with a view to trying to find out what the best way to make it was in detail, what kind of apparatus and things of that type, so the time was not wasted at all. We prepared to make a new chemical, and you certainly have got to have it on the drawing board, so to speak, and make up your mind what you want to do and how you must do it.

Mr. Harlan: At this point, may I refer, please, with your Honor's permission, to Government's Exhibit 612. These documents refer to what Mr. du Pont has just testified about.

Government Exhibit 612 is a letter from Mr. Irene du Pont to Mr. Kettering, dated July 10, 1922:

"Dear Mr. Kettering:

"Am just dropping you a line to thank you for the [fol. 2156] very pleasant time I had while visiting your laboratories on Thursday last."

Q. Is that the visit you referred to as your first visit to Kettering on the subject of tetraethyl lead?

A. Yes, that is right.

Mr. Harlan (Continuing):

"The visit was certainly most interesting and instructive.

"On returning I find the attached circular of A. A. Hassan. I do not suppose this topic is of material interest to you but am sending it to you thinking that it might be included in your files rather than mine.

"Am looking forward to a visit from you next week. I am trying to arrange it so that you will meet some of our men in the Dye Division as well as those in our Research Department. When you come, will you bring your latest information on the production of 'dope' by the bromine method."

Q. Dope refers to what?

A. The tetraethyl lead; they didn't put in any of the anti-scavenger stuff.

Mr. Harlan: Next, if your Honor please, I refer to Government's Exhibit No. 613—I think your Honor has a copy—which is a memorandum from Mr. Irene du Pont to Dr. C. M. Stine, Mr. W. F. Harrington, and Dr. C. L. Reese.

By Mr. Harlan:

Q. Dr. Stine is the gentleman that you previously described?

A. Yes.

[fol. 2157] Q. Who was Mr. W. F. Harrington?

A. He was the man in charge of that section of the du Pont undertakings, and a member of the Executive Committee later.

Q. And Dr. C. L. Reese?

A. He was formerly head of the Research Department and was consulting, top consulting man.

Mr. Harlan: This memorandum is dated July 12th, 1922 and reads:

"Mr. C. F. Kettering, Manager of the Dayton Engineering Laboratories, will be in Wilmington on Thursday, July 20th. I am very anxious that we 'sell' our ability to help them on the Tetra-ethyl lead proposition."

By Mr. Harlan:

Q. You have the word "sell" there in quotes. What do you refer to?

A. A slang expression, meaning to convince him, to get him in favor of the opportunity, not to take pay or money.

Mr. Harlan (Reading):

"Trust that you will be available."

By Mr. Harlan:

Q. Does this refer to the visit that Mr. Kettering and his associates made that you described to Wilmington?

A. It does.

Q. And you were not present at the tour that he made of the dye works at that time?

A. I was not.

Q. Do you recall that you had any conversation with him after the tour was over?

A. I don't recall that.

Q. You described the work generally that was done following this visit in trying to adapt the laboratory process to commercial manufacture.

Were there problems that you were confronted with in setting up the commercial manufacture procedure to make this material?

A. Undoubtedly there were.

Q. Who had charge of that immediate work, do you know?

A. I think the dye department people were doing that work.

Q. Before I offer the next document, do you recall that a time came in the fall of 1922 where consideration was given as to what should be done with any patents that your laboratories might take out in connection with this early development of the commercial manufacture?

A. I think it was agreed, and I thought it was entirely properly so, that those should be ceded to the General Motors and not be any property of the du Pont Company.

In other words, we were being put into a position where we would have the opportunity to maybe find some patentable processes, and it wouldn't be fair to take advantage of that for our own use.



Q. Do you recall whether that matter was laid before the du Pont Finance Committee?

A. I think it was, yes.

Mr. Harlan: I offer, if your Honor please, du Pont Exhibit No. 98, which is a resolution of the Finance Committee of du Pont Company, September 18, 1922.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 98.)

[fol. 2159] By Mr. Harlan:

Q. You have referred a moment ago, Mr. du Pont, to the making of a contract between General Motors and du Pont Company, respecting the manufacture of tetraethyl lead?

A. Yes, sir.

Q. That contract which will shortly be in evidence—I think it is already in evidence—was signed on October 6th, 1922.

[fol. 2160] Can you state the circumstances or how it came about that that contract at that time was made?

A. I think General Motors was satisfied that we were the most likely people to make it. We could do better than others, and they wanted to have a contract with us to make it, but they weren't ready to go ahead at that time, so that the contract starts off that we will make it, but only four months after they give us notice to proceed, which was a little unusual.

Then as to the amount, we had to figure that the cost of a plant to make that size quantity would have to be included in the price, and we made that provision that they should pay for the tetraethyl lead at, I think it was, two dollars a pound, which would be sufficient, we thought, to build the plant and make the material.

Q. I have here what is Government's trial Exhibit No. 617, which is a letter from Mr. Sloan to Mr. Kettering, dated September 27th, 1922, in which he states in the first paragraph:

"I was just talking over the telephone with Mr. Irenee du Pont and he believes it would be desirable,

as I think you do as evidenced by our discussion in Detroit week before last, that a more definite arrangement be made between the du Pont Company and ourselves relative to the work that they are doing."

This is about a week before the contract?

A. Yes, sir.

Q. Can you state whether or not you had suggested that from the du Pont Company's point of view it would be desirable to have a more definite arrangement, and if so, why? What was in your mind?

A. Well, I think we had been a little loose in doing experimental work and not paying any attention for whose benefit it was, and charges were not being made properly.

I think it was an endeavor to take care of that unbusinesslike procedure. The contract for a definite quantity of material would include research carried on under that appropriation, but this was miscellaneous laboratory work that is referred to.

Mr. Harlan: Now, I refer, if your Honor please, to Government's trial Exhibit No. 618, which is the October 6th, 1922 contract that has been referred to, and which provides in the first paragraph that the du Pont Company, upon notice from the General Motors people, four months notice, should erect a plant capable of producing some 1300 pounds a day of tetraethyl lead, and the contract also contains the provision that all improvement patents and processes, et cetera, taken out by du Pont in the work, should be assigned to the General Motors Corporation.

By Mr. Harlan:

Q. Now, bearing in mind that the contract that you referred to provided for the giving of notice by General Motors when they wished you to proceed with the erection of a plant, did there come a time when you received such a notice?

A. There did.

Q. Do you recall about when that was?

A. The following January, I would guess, about that length of time.

Q. A little later than that, wasn't it?

A. No, the contract was signed in October, and I know there was quite a pause between the time we signed the contract and getting of notice, but I can't recall just when it was.

Q. I think we can refresh your recollection with papers [fol. 2162] that will be introduced shortly that it was the spring of 1923 when you got such a notice to proceed with the erection of a plant.

In all events, without regard to the time for the movement, did you get to work right away after you received such a notice to construct a plant?

A. We did.

Q. Do you recall whether or not after the plant got into operation, at 1300 pounds a day, the capacity of the plant was shortly thereafter increased?

A. It was.

Q. Why was that done?

A. I guess they wanted more of it. They raised their sights on how fast they could sell it.

Q. And at whose request did you proceed to increase your capacity?

A. Yes.

Q. At whose request did you proceed to increase your capacity?

A. I gather through General Motors.

Q. Can you hear me? Am I talking loud enough?

A. Yes.

Q. Now, you have referred to the bromide process as being the process that was first used in the manufacture of tetraethyl lead.

A. It was.

Q. Did there come a time when you were informed that another process had been discovered for the manufacture of tetraethyl lead by some other company?

A. Yes, sir.

Q. Will you state the circumstances under which that information came to you, and explain as fully as you can what you learned about it?

A. I think that my first information that there was such a process came in a letter from Mr. Rickard, that he had

heard in Detroit that there was a method which he called [fol. 2163] the sodium chloride process, but that was a misnomer. It was the chloride process, no sodium about it. In contradistinction, they used ethyl chloride instead of ethyl bromide, and they had a patent covering that improvement.

Q. You mean they had a patent or purchased a patent?

A. No. Standard Oil had purchased a patent, and were negotiating in some way with General Motors to obtain the use of it.

Q. Well, now, what was the chloride process as you understood it at that time as distinguished from the bromide process?

A. As I understood; and I think as the patent disclosed, they were simply substituting ethyl chloride for ethyl bromide in the reaction. That might require a little bit higher pressure to obtain the temperature necessary to make the reaction, and that I thought was the reason nobody had used the chloride process before. I think they were fearful of the danger.

Q. Without regard to specific dates, can you give us, as fully as you can, the course of events, following your being informed that the Standard Oil people had discovered the so-called chloride process, what happened?

A. Well, the most important thing that happened, I think, I suggested to Sloan that he simply turn the Standard Oil over to us to negotiate with them. They could not operate their chloride process except under the General Motors patent. It was a general patent which belonged to General Motors, so its value, its real value, was some estimate of how much could be saved by using chloride over the bromide, and I thought we could handle that manufacture, and figure out what the actual value might be considered for it better than General Motors could, which had no way to measure [fol. 2164] at all how it was going to affect the cost, and I wrote to Sloan suggesting that he turn the Standard Oil over to us and we would do the negotiating for it, for his account entirely—I mean their account.

To that, Sloan replied, "No." He went ahead and made a deal which involved some sort of a partnership. I think as their interest they received an equal amount of stock in a corporation to be formed.

Q. You are referring to the Ethyl Gas Corporation?

A. The Ethyl Gas Corporation it became later.

Q. Let me ask you at this point, were you informed by Sloan at any stage prior to the formation of the Ethyl Gas that he was proceeding to negotiate with Standard, looking to the formation of this so-called partnership between Standard and General Motors?

A. I had not heard of it.

Q. Had you heard anything about the formation of Ethyl Gas until after that corporation was formed?

A. I had not.

Mr. Harlan: Now, in that connection, if your Honor please, I refer to Government's Trial Exhibit No. 662, which is a letter dated January 28, 1924, from Mr. Sloan to Mr. Ireneé du Pont in which Mr. Sloan advises Mr. du Pont of the possible desire of Standard Oil Company to manufacture tetraethyl lead under the chloride process.

Next, I refer to Government's Trial Exhibit No. 623, which is a letter from Ireneé du Pont to Mr. Sloan in which he suggests that Mr. Sloan should refer the Standard Oil people to du Pont for the purpose of negotiating on behalf of General Motors, as to possible rights under the Standard Oil chloride patents.

And finally, to Government's Trial Exhibit No. 624, which [fol. 2165] is Mr. Sloan's reply of February 5, 1924, to Mr. du Pont's suggestion in the previous letter, in which he says he has followed it.

And next, I refer to Government's Trial Exhibit No. 660, which is a letter from Mr. Ireneé du Pont to Mr. Sloan, the first paragraph of which I will read. This is dated June 26, 1924, some six months following Mr. Ireneé du Pont's suggestion which was turned down by Mr. Sloan as to du Pont's possible negotiating with Standard for the patents.

By Mr. Harlan:

Q. Following the formation of the Ethyl Gas Corporation, the so-called partnership between Standard and General Motors, what followed with reference to the manufacture of tetraethyl lead by either the chloride process or the bromide process?

A. The Ethyl people authorized Standard Oil of New Jersey to proceed to build a small plant, I think 100 gallons



a day, or something of that order. That was to find out how they could make it, and see what their process amounted to. I took it up with Sloan at that time, and said, "If you [fol. 2166] are going to do that, you may save a lot of time if you will give us a similar order to that, and let us run a pilot plant on it, or on a semi-work scale, or similar to the chloride process, because I think we could beat the Standard Oil to it. We are better equipped to do it." They did give us such a contract.

Q. Did that result in the cancellation of your contract of October 6, 1922, in the making of a new contract?

A. I don't think you would say it was a cancellation. It could be terminated at any time under some conditions, but I don't think the fact that we were making it from the chloride process automatically cancelled it.

Q. Now, there was a new contract, whether the old contract was cancelled or substituted for—was there a new contract, do you recall?

A. Only very hazily that there was such a thing.

Q. All right. Did you participate in the negotiations leading up to a contract under which du Pont got the direction from General Motors to erect a small chloride process plant? Did you participate in that?

A. I don't think I was mixed up in that.

Q. Who handled that?

A. Mr. Harrington.

Might I interject there, I am not quite sure if that was the time we took back the handing over of any invention to General Motors and they became for our account—or it is not mentioned, it was cut out in the contract.

Q. You are a little ahead of yourself. That was in 1926.

A. That is what I was wondering, if I was a little ahead of myself.

Q. Government's Exhibit 675, which is a contract between the du Pont Company and the Ethyl Gasoline Corporation [fol. 2167], dated October 10, 1924, will you look at that and see if that refreshes your recollection?

A. Well, this seems to be the contract of October of 1924. I don't recall.

Q. You don't recall that contract?

A. I don't recall having anything to do with having made it. I undoubtedly saw it at the time.

Mr. Harlan: That contract, your Honor, is already in as Government's Exhibit 675, and in connection with it, I now offer du Pont Exhibit 99, which is a resolution of the Executive Committee of the du Pont Company dated September 3, 1924, entitled—or a minute, I should have described it more accurately as—entitled “Proposed Contract with Ethyl Gasoline Company for manufacture and delivery of tetraethyl lead, and I think this will make clear what Mr. du Pont says he was not connected with.

[fol. 2168] By Mr. Harlan:

Q. Now, did the Standard Oil Company, as you referred to a moment ago, it was contemplated it would do by Standard—did it or Ethyl Gasoline construct a chloride process plant?

A. The Standard Oil of New Jersey constructed a plant to operate by ethyl chloride.

Q. Where was that plant?

A. Bayway, New Jersey.

Q. And following the construction of the plant, did anything take place?

A. Yes, they had a rather lamentable accident by poisoning on a large scale, a considerable number of their men were poisoned at the same time; and some of the symptoms are somewhat like delirium tremens, and it caused a great deal of comment, and the papers were full of it at the time, which was called the “looney gas episode”. They shut down the plant immediately, and didn't re-open.

Q. When did that disaster take place?

A. I couldn't remember the date.

[fol. 2169] Q. Do you recall the year?

A. Well, it was just after they had started up. It had been running only a short time when the accident happened. That was 1926—

Q. Well, there won't be any dispute about the date. It was the fall of 1924.

Can you state what followed after this disaster took place? What happened?

A. Well, the newspaper accounts got a lot of people stirred up and confused over the danger of manufacturing

something, and the danger of its use, and a number of municipalities passed ordinances prohibiting the sale of it, and the Ethyl Gas people just stopped selling until the excitement would be over.

Q. And what happened to the manufacture of tetraethyl lead as a result of this disaster, by the du Pont Company, under its contract with the Ethyl Gas?

A. I think we ceased also, at the request of the Ethyl Gas, excepting we did deliver tetraethyl lead to the Navy Department from the stocks on hand, material available.

Q. And do you recall approximately the period of the shut down that was involved on du Pont's part as a result of this disaster, except for your furnishing the Navy with supplies of tetraethyl lead? How long was it?

A. Might you repeat that question, please?

Q. How long were you shut down, in the manufacture of tetraethyl lead as a result of this disaster at the Standard plant in Bayway?

A. I think the better part of a year.

Q. Do you recall whether any investigations were made of tetraethyl lead manufacture or sale by any public authorities following the Bayway disaster?

A. Apart from these more or less hysterical bills prohibiting small municipalities—I think even New York City [fol. 2170] passed an ordinance prohibiting its use—after that a surgeon general of the United States—Cummings, or I have forgotten what his title is—Surgeon General of the United States, had an investigation of the subject, held a public hearing, and it finally ended nearly a year after.

It was finally that he withdrew the suggestion that the manufacture be discontinued. He sent some of his men up—I think he came up himself to the Deepwater Point to see whether it was safe or not, which was not in his line of duties at all. He was with Public Health instead of Industrial Health—which he was supposed to supervise.

Q. Did you or any other representatives of du Pont present any data to the Surgeon General with respect to the hazards or lack of them?

A. Yes, we attended one of more meetings. I was there at one with Mr. Harrington who presented our side of the case, which was that although it was not free from accidents

in manufacture, it was not nearly as dangerous as some other manufactures, and that the public hazard just didn't exist, that there never had been a case in all that had been sold of anybody being poisoned that used it in an automobile.

Q. Did you have any discussions with any of the Standard Oil people as to their attitude towards resumption of manufacture, as a result of the Bayway disaster?

A. Well, I found that they were in a blue funk over the whole thing, and the directors were very much afraid about it. They didn't know what was going to happen to them, and I thought I should put a little courage into them, and so I called on Mr. Bedford who was then Chairman of the Standard Oil whom I had known before, and I told him I thought the whole thing was hysterical; it was lament-[fol. 2171] able, but that couldn't be helped, to stick by the ship and make it go.

I went so far as to say, "If you people are really going to back out, I would like to have the opportunity of acquiring your holdings for the du Pont Company, and if they wouldn't take it, I would take it in person," and he said, "Well, if it is good enough for you, it is good enough for Standard Oil."

And so he called in Mr. Teagle, and I think Mr. Clark, and he told them of his decision, and told them not to be frightened about it. But they didn't do anything about it.

Q. But they didn't do anything about what?

A. Building again or starting up.

Q. Do you recall about this time, following the Bayway disaster, that you received an invitation to become a director of the Ethyl Gas Company?

A. Well, I received a suggestion asking if I would be a director, to which I replied that I thought I should not have been, but I think about the time of this disaster or a little after I got a renewal of that, and it seemed that I could be of some use, and I said, "O. K. with me," and they made me a director. I cannot recall the date.

Q. Look at this letter and see if this refreshes you on the subject.

A. Yes, that is the letter from the second time.

Q. Following the receipt of this letter you accepted?



A. I accepted, yes.

Q. Now, you stated—

Mr. Harris: May I have that number?

Mr. Harlan: Government's Exhibit No. 710.

[fol. 2172] By Mr. Harlan:

Q. Now, you stated you were persuaded on this occasion that you could be of some use to Ethyl Gas. Please elaborate what you mean by that.

A. I was very enthusiastic about the future of tetraethyl lead. I thought they had really made a wonderful discovery which would do an enormous amount of good, and therefore there was great room for profit in it. I think what they lacked mostly was enthusiasm and faith that they could put the thing across, and I thought I could supply that.

We had a similar experience during the war when we undertook things that seemed almost hopeless to perform, and succeeded in doing it by everybody pulling together, and I thought we could do the same thing here.

[fol. 2173] By Mr. Harlan:

Q. Based on your discussions with Mr. Sloan and the discussion that you had with Mr. Bedford, can you state what Mr. Sloan was referring to, as you understood it, in this letter, in saying that "du Pont would always be the manufacturer"?

A. Well, that was because of the hazard that had cured them of any desire to try to do for themselves the job, and I think they would be very doubtful about picking out another inexperienced company to try to make it for them. I think that is what he refers to, that we will always be the manufacturer of tetraethyl lead.

I think "or the substitute for it" are just thrown in for good measure, to show how serious they are and to put the emphasis on "we are looking to you to do that job."

[fol. 2174] Q. That is December 12th, 1924.

I should have offered, prior to the reference to that government exhibit, du Pont Exhibit No. 99-A, if your Honor please, which is a letter dated December 6th, 1924, signed



by Irene du Pont to Mr. Alfred Sloan, which refers to the pending Surgeon General's investigation of the Bayway disaster.

There is a typographical error there; the "Surgeon General" has been referred to as the "Sergeant General."

(Said document so offered and received in evidence was marked du Pont Exhibit No. 99-A.)

Mr. Harlan: Next I offer du Pont Exhibit No. 99-B, which would be the next letter, if your Honor please, in your book, which is a letter from Irene du Pont to Alfred P. Sloan dated June 8, 1925, this being during the period of the shut down in the manufacture of tetraethyl lead, and the distribution of tetraethyl lead, or ethyl fluid, as the result of the Bayway disaster.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 99-B.)

[fol. 2175] Mr. Harlan: In that, Mr. du Pont says:

"Dear Mr. Sloan:—

"I was sorry to find you could not attend the Yama Conference although I hardly expected it in view of your long trip just finished. Also, I was disappointed to find that Mr. Bedford was not there."

By Mr. Harlan:

Q. Mr. Bedford was who?

A. He was Chairman of the Board at that time, I think, of Standard Oil of New Jersey.

Mr. Harlan: (Reading)

"I wanted to discuss with him the question of ethyl gas and to try to put some courage into your Standard Oil partners.

"I am a little disturbed for fear that the Ethyl Gas will not actively pursue the Sub-committee appointed by the Surgeon General to report on ethyl gas as a possible menace to public health. If it is not pushed vigorously the topic will carry along with nothing done either for or against for a protracted period. The evidence which was submitted at the hearing (see Mr.

Webb's report May 20th) make it perfectly clear in my mind that nothing has developed which would warrant the Surgeon General finding that the sale of ethyl gas or its use in automobiles constituted a public health menace. The Committee must make this finding on the evidence and my only fear is that they will delay in making it or that they will couple with that finding a recommendation that certain research be carried out in an endeavor to make sure that the evidence submitted [fol. 2176] is really representative. The latter may run into years of work unless the Ethyl Gas Corp. takes the position that time is too important to warrant considering unduly the remote contingency fear.

"I think it would be worth while for you, or if you would prefer for me, representing you from the General Motors point of view, to give Mr. Webb some encouragement and support of a more or less official character. Individually I have been doing my best but of course that cannot carry the weight of official responsibility."

Next, I offer as du Pont Exhibit—this is already in, I beg your pardon, as Government's Exhibit No. 711, a letter from Irene du Pont to Mr. Webb of the Ethyl Gasoline Corporation, referring to the proposed contract between Ethyl Gas and the American Research Laboratories for the manufacture by American Research of tetraethyl lead.

By Mr. Harlan:

Q. Do you recall that episode?

A. I do.

Q. Do you recall what your position was with respect to it?

A. Yes, sir.

Q. Would you please state what you recall as fully as you can?

A. I was very much opposed to it. I think that the letter will probably speak for itself, that I would resign immediately if they attempted to do a thing like that, that I would not take the responsibility as a director, that they would be hiring somebody without experience to undertake a very dangerous matter, which, if it should be done, would

not only be dangerous to the men connected with it, but it would have been the death knell of tetraethyl lead:

[fol. 2177] The public would not permit it. We would have another Ethyl Gas episode, and I think I said in my reply if they are going to attempt to have a greenhorn come in and make tetraethyl lead, to accept my resignation forthwith.

Mr. Harlan: That letter, I will just read a portion of it. It is dated June 2, 1926.

By Mr. Harlan:

Q. That was following the resumption, after the Surgeon General had completed his investigation, the resumption of manufacture and distribution of tetraethyl lead?

A. I think it was.

[fol. 2178] Q. Now, following the Surgeon General's investigation—and there will be no dispute that that was completed and the green light was on again for manufacture and distribution in early 1926 or late 1925—did the manufacture and distribution of tetraethyl lead proceed?

A. Yes.

Q. Do you happen to know what the Standard Oil people's attitude was toward they themselves resuming manufacture following their experience in Bayway?

A. I am satisfied they didn't want to touch it.

Q. Do you recall, and I think you mentioned this a moment ago in your testimony, do you recall that in 1926 a change was made in the contractual relationship between du Pont and Ethyl Gas with reference to what should be done with improvements' patents taken out by du Pont in connection with its manufacture of tetraethyl lead?

A. Yes.

Q. What was that change and how did it come about?

A. We struck out the proviso that any patents or secret processes discovered would be ceded to Ethyl Gas. They would presumably be owned by the discover, whoever he might be.

That was because we had found that we were not spending any money on research, which we ought to, because we would have had to pay the bills, the money, and they would get the results. Now, it is just uphill work to try to make

an organization do things and pay the cost of it and give the proceeds away. It didn't seem reasonable. The Ethyl Gas people had no objection to leaving out the provision that they should have the improvements.

Q. Tell me, in connection with the situation at Bayway that you have described from lead poisoning, what had been [fol. 2179] the du Pont Company's experience since this early development of tetraethyl lead with regard to hazards and losses from poisoning?

A. It was very bad; very bad. I think all told about eight men through the period, I think about eight, died of poisoning. That was using every kind of precaution we could think of.

They finally got everything stopped off. I don't think there has been but one serious accident there in the last fifteen or twenty years.

It is very elusive to stop those kinds of accidents. In the first place, they always happen in a place where they never happened before. It seems to be a peculiarity. The things you stop off and protect are the things that don't happen, but once in a while some new thing will happen.

We had one happen in the lead smelting. There was no tetraethyl lead involved at all, but he got a dose of lead fumes, and that made a serious accident. I think he died of it. But it had nothing to do with tetraethyl. It was smelting the lead to make it in bars suitable for alloying with sodium.

Q. You say since the last twenty-odd years or so, you haven't had any—

A. I said twenty reservedly. I should have figured it first, but for a long period of time.

Q. Did you participate in connection with the negotiations of the 1926 contract between du Pont and Ethyl Gas?

A. I did to the extent of assenting to that change in the provision of who would own the patents. I think that is the only thing I had to do with.

Q. Without regard to trying to identify them in the subsequent contracts that were entered into between du Pont and Ethyl Gas relating to tetraethyl lead, did you [fol. 2180] participate in any of those negotiations?

A. I never participated in any of those.

Q. Who was in charge of that?

A. Whoever was in charge of that department. I think Harrington, for almost all of it.

Q. While you were on the Ethyl Gas board, do you recall a debate or discussion that took place with reference to the so-called problem of standardization?

A. Yes.

Q. Will you state as fully as you can what that debate concerned and what the outcome of it was, and particularly your own position with respect to it?

A. It was part of the prime objective of the Ethyl Gas to standarize gasoline so that no matter where you went in the country and bought gasoline, ethylized gasoline, it would all have the same characteristics with respect to antiknock. It would all be an 80 per cent so-called antiknock, or some other per cent.

In other words, they were going to require the users of tetraethyl lead to use it to the extent of standardizing their gas to be of equal antiknock, as the standard required. I know nothing about selling, but I know if I had been a manufacturer, I would have resented their telling me how I got to run my business, and that is what I told them. I thought that they were just building up objection to tetraethyl lead by our would-be customers. We would lose customers because of trying to tell them how to run their business, and we probably didn't know as much about it as they did.

We had sundry discussions on that subject, but whenever it came to a vote, why, it was nine to one, and I was the one.

Q. You referred to the bromine process in which bromine [fol. 2181] is used to manufacture tetraethyl lead. Was bromine also used for some other function in connection with the use of tetraethyl lead?

A. Yes. They put in a salt of bromine in the gasoline, so that when the combustion takes effect the lead of the tetraethyl lead isn't burned to litharge, oxide of lead, which is a flux and tends to melt the spark plugs.

They put in another bromide in there which makes the lead go to a bromate of lead, which has a high melting



point and doesn't act as a flux, so you don't spoil the spark plugs.

That is the theory, a thumb nail sketch of it, and that takes a great deal and can't be recovered. That goes out with the exhaust.

Q. Were any problems encountered in 1924 or thereabouts relating to the adequacy of sources of bromine?

A. Yes. They felt sure we were going to have shortage of bromine by the bromine process, or even with the chlorine process. They would have to find new sources of supply.

Q. Did the du Pont Company do any work in connection with trying to find new sources of supply of bromine?

A. We did not, but we offered our services, one of their researches was to send a commission to Tunis. They thought that some of those salt lakes in north Tunis were supposed to contain a high amount of bromine and were workable, and that being a French possession and with our acquaintance with a number of the French officers during the war, supply officers, we felt that we would get an entree there better than General Motors.

We offered our services, but they said no, and sent Kettering over. He found what I think he suspected would happen anyhow, that the duty on bromine was so high they [fol. 2182] couldn't afford to make it there. They would have to make it in the United States somehow.

Q. Did you in du Pont do any experimental work or research work in an effort to find new sources of supply of bromine?

A. Yes, sir. Kettering made some synthetic sea water out at Dayton, same combination, and discovered he could get a small amount of bromine out of that by rather a simple process. He asked us if we would try it on actual sea water in the east, where we have plenty of salt water, and see if it would work there.

We put up a little plant—I wouldn't call it a plant, an experiment, down at Rehoboth, Delaware, the extreme south end of the state.

We tried it there and it worked, but it ran into a difficulty which we didn't see any solution for. That is, to filter off

the bromine which comes out as aniline tribromide, a solid, little fine crystals. It has to be passed through a filter. The filter presses that squeeze that out would get clogged by the silt in the sea water.

Along the Atlantic coast there is enough silt in it—you can't see it—but it makes a good dark green instead of blue, but that is a silt, and it would gum up the filters, so we saw it was going to be a very difficult thing to operate.

Q. Was there any other research done following that?

A. Yes. We felt that if the silt was the only trouble, why not go out to the gulf stream where there is no silt. It has all been separated by gravity long ago.

We thought we could have a floating plant on a ship and make bromine there, and that would count as if it were made in the United States.

So we bought a ship from the United States Government [fol. 2183] for a trifling price, because we told them it was not for shipping, it was for trying this experiment.

We installed the necessary apparatus and went out there to the gulf stream, and after people got used to being seasick, they produced aniline tribromide by that. The idea was originated on the 31st of December, and by the last of April the boat had come in, successful technically, but obsolete because the German dye people cut the price of bromine to a point below what we could make it for. It shows how fast amortization can happen at times.

Q. What was the name of that ship you are referring to?

A. It was christened the Good Ship Ethyl. I don't know why the "Good Ship" especially.

Q. For whose account did she sail?

A. We did it for their account, and I think it did a pretty good job.

Q. Who was "their"?

A. They were Ethyl Gas and we are the du Pont Company. I just get in the habit of talking that way.

Mr. Harlan: In that connection, if your Honor please, I would like to offer some exhibits. I shall not read many of them, but they relate to this bromide research.

I first offer du Pont Exhibit 100, which is a letter from Mr. Sparre to Dr. Stine, both of du Pont, dated November 28, 1924.

(Said document, so offered and received in evidence, was marked du Pont Exhibit No. 100.)

Mr. Harlan: That relates to the terms on which du Pont would engage in this bromine research for Ethyl Gas.

Next I offer du Pont Exhibit No. 101, which is a letter dated December 8, 1924, from Dr. Sparre to Mr. Midgeley.

[fol. 2184] (Said document so offered and received in evidence was marked du Pont Exhibit No. 101.)

Mr. Harlan: Exhibit 101 again relates to the terms on which du Pont would engage in further bromine research for Ethyl Gas.

Next I offer du Pont Exhibit No. 102, which is a letter from Mr. Irene du Pont to Mr. Midgeley, dated December 30, 1924, which relates to the so-called Good Ship Ethyl, and that research project by du Pont on behalf of Ethyl Gas.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 102.)

Mr. Harlan: Next I offer du Pont Exhibit No. 103, which is a letter from Irene du Pont to Alfred Sloan, dated January 30, 1925, which relates to the question of the amount of compensation of du Pont for constructing the bromine plant at Rehoboth, I believe.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 103.)

Mr. Harlan: Next I offer du Pont Exhibit No. 104, which is a letter from Mr. Irene du Pont to Mr. Midgeley, dated April 2, 1925, which relates to the use of such new sources of bromine as might be discovered.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 104.)

Mr. Harlan: I next offer du Pont Exhibit No. 105, which is a letter from Mr. Irene du Pont to Mr. Midgeley, dated [fol. 2185] April 6, 1925, relating to the same subject as the preceding exhibit.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 105.)

By Mr. Harlan:

Q. Before I offer the next exhibit, you said that the result of your experiments with the Good Ship Ethyl led the Germans across the seas to reduce the world price of bromine?

A. That was based on observation. The price was immediately cut when it was reported publicly that we had succeeded in extracting bromine from sea water.

Q. Do you recall whether any other company discovered new processes for making tri-bromide aniline, I guess it is called?

A. Another company, the Dow Chemical, figured out a way of making it from brine. They were familiar with doing that and were in the bromine business. They found they could get it from sea water by the general method they had been following, just simply larger surfaces, I understand. I didn't hear that until after I heard they had combined with Ethyl Gas to put up a plant to extract it along the shores of North Carolina.

It did not involve filtration, and so they didn't have any trouble from that. They have produced bromine, and I think are still producing it in a large way there.

Q. You say that you had not heard that the Dow Corporation with Ethyl Gas were going into a venture to make tri-bromide aniline?

A. It was not tri-bromide.

Q. I beg your pardon, I misspoke myself.

A. I had not heard of that until after they were in operation.

Q. Do you know what the corporation was that was [fol. 2186] formed with Dow and Ethyl Gas?

A. I have heard its name.

Q. Ethyl-Dow Corporation?

A. Ethyl-Dow; I think that is the name of it.

Q. Were you consulted in any way in any stage of the proceeding whether or not the Ethyl Gas Company would go in with Dow in forming the Ethyl Dow Corporation?

A. None whatsoever.

Mr. Harlan: I offer now du Pont's No. 106 which is a letter from Mr. du Pont to Mr. Webb dated June 18, 1931.

(Said document so offered and received in evidence was marked du Pont's Exhibit No. 106.)

[fol. 2187] Next, I offer du Pont Exhibit No. 107 which is a short letter from Mr. Irene du Pont to Mr. Webb, in 1934, sometime after the formation of the Ethyl Dow Corporation, in which Mr. du Pont refers to having seen the Ethyl Dow report, and refers to the operation in—the Ethyl Gas report, and refers to the operation of Ethyl Dow Corporation.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 107.)

[fol. 2188] Finally, on this subject, I offer du Pont No. 108, which is a reply dated February 15, 1934 from Mr. Webb, President of Ethyl Gas, to Mr. Irene du Pont, giving him the information as the Ethyl Dow Company and its operation.

(Said document so offered and received in evidence was marked du Pont Exhibit No. 108.)

By Mr. Harlan:

Q. Mr. du Pont, you remained a director of the Ethyl Gas Corporation until 1937, I believe?

A. Yes, sir.

Q. And at that time you resigned?

A. I resigned.

Q. You have never been a director since?

A. I beg your pardon?

Q. You have never been a director of that company since?

A. No, sir.

Q. You resigned, I believe, also in 1937, or at least did not stand for renomination on the Finance Committee of General Motors Corporation?

A. Yes, sir.

Q. Have you, since 1937, had any connection, committee [fol. 2189] connection of any kind or director connection of any kind with General Motors Corporation?

A. I have not.



Mr. Harlan: That concludes my direct examination on this phase of the case with both of these witnesses; therefore, under our arrangement, Mr. Pierre du Pont will return to the stand for cross examination, and he will be followed by Mr. Irene du Pont.

PIERRE S. DU PONT, a witness called on behalf of the Defendants, having been previously duly sworn, resumed the stand, was examined and testified further as follows:

### Cross Examination.

By Mr. Harsha:

Q. Mr. du Pont, I should like first to ask you a few questions concerning an old associate of yours, Mr. John J. Raskob.

He was, was he not, a close business associate of yours over the years?

A. Yes, he was.

Q. Wasn't he the treasurer of the du Pont Company about the time that you were president of the du Pont Company?

A. Yes, he was.

Q. And I gather that he continued in that position of treasurer for a few years after you retired as president of the du Pont Company, is that correct?

A. Several years, yes.

Q. Isn't it a fact that Mr. Raskob assisted you in the negotiations with Morgan & Company at the time when you were obtaining a loan to purchase the T. Coleman stock?

A. He did.

[fol. 2190] Q. It was Mr. Raskob, wasn't it, Mr. du Pont, who urged you and the directors of the du Pont Company to purchase a large block of the stock of General Motors in 1917?

A. He did, yes, sir.

Q. Isn't it true that you relied very heavily on his business judgment over the years of your association?

A. I believe that is correct, yes.

Q. Would you say that he was particularly able in financial matters?

A. I would, yes.

Q. I would like to ask you a few questions relating to events in the year 1914. Can you hear me all right?

A. Yes, I can.

Q. Now, in about December, 1914, T. Coleman du Pont was the largest single stockholder in the du Pont Company, wasn't he?

A. Yes, he was.

Q. And Mr. Alfred I. du Pont, I believe, was the next largest stockholder?

A. Yes.

Q. Then you were the third largest stockholder?

A. Yes.

Q. Now, you testified that Mr. T. Coleman du Pont was the active president of the du Pont Company from about January, 1914, to September, 1914, is that correct?

A. That is correct.

Q. And it was about some time in September or October, I believe, that he left the company for health reasons and went out west, isn't that right?

A. He stopped being active in the du Pont Company on account of ill health, but he did not leave until December.

Q. I see. Thank you.

Now, as I recall from your previous testimony, you and [fol. 2191-2192] T. Coleman had been close associates for many years prior to 1914, is that right?

A. We had, yes, sir.

Q. Isn't it true you were also good personal friends?

A. Yes, indeed.

Q. But isn't it true that during the period that I have mentioned, that is January, 1914, to say, August of 1914, that you and Mr. Coleman du Pont had differences over business policies which should be pursued by the du Pont Company?

A. We had different opinions, but I would not call them differences personally.

Q. I do not mean personal differences, but you had different opinions, did you not, over business matters?

A. We did, yes, sir.

Q. Relating to the du Pont Company?

A. We did, yes.

Q. Isn't it true that along in August of 1914 that Coleman du Pont wrote to you a note in which he offered either to buy you out entirely, or, vice versa, that you could buy him out entirely?

A. About that time, yes.

Q. And I gather at that particular time, however, nothing occurred as a result of that offer?

A. No, nothing occurred then.

Q. Now, on direct examination, Mr. Harlan laid, it seems to me, considerable stress on an inquiry made by Mr. Kraftmeier, who was representing the British Government, who had a short conference with you in January, 1915, inquiring whether, I believe, Kuhn, Loeb & Company had obtained stock control over the du Pont Company, and I believe you also referred to a letter which was put in evidence, which was du Pont Exhibit 14, in which you informed Coleman du Pont about this Kraftmeier inquiry; is that right?

A. That is right.

[fol. 2193] Mr. Harsha: And we can refer to it, I believe, as Government's Exhibit 17 for identification. This is the letter. I should like to read it to you first, Mr. du Pont, dated February 5, 1915, addressed to Mr. T. C. du Pont, Esquire:

"Dear Coleman:

"Lou has shown——"

Q: Lou, I presume, is Mr. Lou Dunham?

A. That is right.

Mr. Harsha: (Reading):

"—me the letters written by you in regard to the depositing of stock. I think you somewhat misunderstand the situation. Mr. Kraftmeier made no request nor did he hint that assurances in regard to the future of our stock was desired by him or the Allied nations. The purpose of depositing a majority of the stock was to put the company in position where definite assurances could be given that the stock was in safe position

for a period of time necessary to complete war orders. From the company's standpoint this would have the advantage of bringing to us a greater share of the business than might be obtained if the matter were left uncertain. If uncertain the Allies can easily get others is this country interested in the powder business. They might have to wait some time for powder in quantity, but if they started now they could expect large quantities for the year 1916. However, I do not think the situation is any way acute; certainly Mr. Kraftmeier's inquiry is the only intimation that any fears might be entertained concerning our alliance with German interests. You are right with respect to the [fol. 2194] latter; if they come forward with orders in quantity similar to the orders of Allied nations we would be willing to sell; but we would not be willing to place small orders, say, five to ten million pounds, with the Germans giving them access to our factories, through which means they might cause great damage and loss of profits far in excess of the value of the above mentioned orders.

"In view of your letters, I propose stating to the Finance Committee that you are not in position to take advantage of offers to loan money and that you do not care to deposit stock at this time. These certainly should be sufficient assurances that any fears they entertain are absolutely groundless, and will also avoid a situation which might lead to misrepresentation if you give the company the benefit of any loans that you might have to offer. Personally I should advise you not to place loans with the company unless for some reason unknown to me you feel it desirable to do so.

"I did not keep either of the letters which Lou showed me this morning."

By Mr. Harsha:

Q. Now, in connection with the phrase you use in there, Mr. du Pont, "I do not think the situation is any way acute" and that "any fears that the Finance Committee entertain are absolutely groundless", didn't that accurately reflect your position on this pooling matter and the Kraftmeier inquiry at that time?

A. Not altogether, I think. I didn't dismiss the subject from my mind.

[fol. 2195-2203] Q. You did know, however, that at the time that you wrote this letter, that Coleman du Pont was still proposing to sell some of his stock, isn't that right?

A. No, his offer to sell to the men of the du Pont Company had been withdrawn in January.

Q. Well, he had withdrawn his offer to the company, but hadn't he also indicated in correspondence with you that he might be willing to sell directly to some of the men in the company?

A. Yes, and in fact I think he expressed it that when he returned we could make some arrangement by which those sales could be made.

Q. Just so we keep our records straight, Exhibit du Pont No. 13, that is the letter you are referring to, written to you by Mr. Coleman du Pont?

A. Yes, January 19th, 1915.

Mr. Harsha: Your Honor, this previous exhibit that I have just read has not been previously offered by the government. We could offer it on rebuttal at the close of the defendant's case, but I thought that perhaps in terms of keeping the record orderly, I might have permission to offer it in evidence at this time.

The Court: Is there any objection?

Mr. Harlan: No objection.

The Court: It is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 17.)

[fol. 2204] Q. And that your reasons for buying all, as I recall, were two-fold; one, that it was a very good investment, and also to keep the stock secure from falling into enemy hands.

Do you recall that?

A. That's right.

Q. Now, I believe you also stated that at that meeting the Kraftmeier inquiry was not mentioned by you, isn't that right?

A. That's right, yes.



Q. And isn't it true that the Kraftmeier inquiry or incident was not mentioned by any of the other five men who were associated with you?

A. That is correct, I think.

Q. And was there anything said in that conference about the stock, keeping the stock from falling into enemy hands?

A. I don't remember that that was brought up at the time, but I am uncertain of it.

Q. Now, shortly after you purchased—when I say “you” I mean you and your five close business associates—the Coleman du Pont stock, you were formally elected president of the du Pont Company, isn't that right?

[fol. 2205] A. Yes, that's right, after the resignation of Mr. Coleman du Pont.

Q. Yes, and wasn't it very shortly after you became the president of the du Pont Company that Mr. Alfred I. du Pont was dropped as an officer of the du Pont Company on your recommendation?

A. It was not immediately; it was some little time after, might have been a couple of months, or something like that.

Q. About eight months later, something like that?

A. Well, it wasn't any longer than that.

Q. And then Mr. Alfred du Pont's name was not included on the management slate of nominees for directors of the du Pont Company, was he?

A. He was not.

Q. And at the next stockholder meeting he was not re-elected as director of the du Pont Company?

A. That's right, yes.

Q. But isn't it true that even after Mr. Alfred du Pont was dropped as a director, that he remained a very large stockholder in the du Pont Company?

A. He did, yes, sir.

Q. As a matter of fact, next to the holdings in the name of Christiana Securities, and next to your holdings, he was the next largest stockholder in the du Pont Company, isn't that right?

A. He was, yes.

Q. Now, I would like to address a few questions to you, Mr. du Pont, concerning the organization and the purposes for which the Christiana Securities Company was formed.

You recall in your direct testimony, after it was decided that the six of you would make this offer for the Coleman stock, that Mr. John J. Raskob was sent to New York to the Morgan & Company, and he arranged there a loan for approximately eight and a half million dollars?

A. That's right.

[fol. 2206] Q. Then as soon, you might say, as the proposition had jelled, that is Mr. Coleman du Pont had agreed to sell the stock and the bankers had agreed to loan the eight and a half million, Christiana Securities was formed, wasn't it?

A. Yes.

Q. I am using that term loosely. I think it was actually the du Pont Securities Company, but the name was changed later to Christiana?

A. That is right.

Q. This \$8,500,000 loan that Morgan & Company made to Christiana was evidenced by a note over the signature of Christiana Securities, isn't that right?

A. Yes, it was.

Q. It was an obligation payable by Christiana Securities?

A. I think there was more than one note, though. I think it was divided.

Q. But isn't it also true that in connection with this loan that Morgan & Company also required that each of you six original stockholders in Christiana become personally liable for varying amounts of money?

A. That is right, yes.

Q. So that if Christiana Securities for some improbable reason defaulted on the loan, Morgan & Company could then look to you six persons as the guarantors of that note?

A. That is right, yes.

Q. And the amount which each of you, as stockholders guaranteed personally was, roughly, equivalent to the amount of stock in Christiana which each of you had taken?

A. In proportion, yes.

Q. So that you six original stockholders of Christiana were not relieved of personal liability, were you, in connection with the Morgan loan?

A. No, that remained as a liability.

[fol. 2207] Q. Then could you tell us what was the purpose of incorporating Christiana Securities?

A. To purchase the stock of Coleman du Pont.

Q. I believe you mentioned in your direct that it was to bring the six of you together as a unit, something of that sort. Was it to centralize that stock in the hands of Christiana?

A. That is very hard to say. Christiana was a necessary procedure in order to purchase the stock. We couldn't have done it any other way. That brought the people together, but it was not done for that purpose. The purpose was to furnish the medium for making the purchase.

Q. But as you say, inasmuch as each of you was personally liable to the Morgan Company for various sums of money, you could have arranged the loan directly with Morgan without organizing Christiana, isn't that correct?

A. No, because there was no participation in common. The corporation brought the group together and our liabilities were divided, but they couldn't have been by individual notes.

Q. Isn't it true, though, that after Christiana was formed, Mr. du Pont, that one very important result was that thereafter the very large block of stock which had formerly been owned by Coleman was voted as a unit in the annual stockholders meeting of the du Pont Company?

A. That is true. The only way it could be.

Q. And that stock amounted to roughly 27 per cent, didn't it, of the outstanding common stock of du Pont?

A. Yes, I think it was about that.

Q. Now through the organization of Christiana Securities, isn't it true that through this block of roughly 27 per [fol. 2208] cent of the du Pont Company voting stock five close associates whom I have named really obtained working control of the du Pont Company?

A. That is a pretty hard question to answer. It depends on who held the control. If they behaved themselves within the company, they would stay. But they would be very quickly put out if they were not efficient.

The question of making a success of the company is what gave them their "control."

Q. I show you, Mr. du Pont, Government's Exhibit No. 65, which has been introduced in evidence in this case. You will note it is a letter dated August 21, 1923 written by

your brother, Mr. Irene du Pont, to John J. Raskob, and I read it to you:

"Would it not be well while the skies are clear to arrange for a refinancing of the Christiana Securities bonds and possibly modify the nature of the collateral requirements, placing our Atlas stock so as to make a divided collateral and limiting the collateral to some predetermined but very ample margin; this to avoid the bare possibility that some financial cataclysm might make our bonds become due through insufficient collateral at a very inopportune time. Bearing in mind that this obligation is backed by the working control of the entire du Pont Co. it seems wrong to jeopardize that control even in a remote degree in order to obtain as little as \$500,000."

Can you tell us, Mr. du Pont, what you understood your brother, Mr. Irene du Pont, to mean by the term "working control?"

A. The obligation to manage the company and manage it successfully so that it would retain the vote [fol. 2209-2211] of the stockholders.

Q. Now, isn't it true that through the stock held by Christiana Securities, you and your five close associates, who were the principal stockholders, had the power to determine who should be put on the Board of Directors and who should be dropped from the Board of Directors of the du Pont Company?

A. No, that was a matter for the stockholders to decide; the stockholders of the du Pont Company. We had a 27 per cent vote, but the rest of the stockholders were free to choose as they would. We had no control over the others.

[fol. 2212] Q. Now, Mr. du Pont, I would like to address a few questions to you concerning your testimony surrounding the purchase by the du Pont Company in 1917 of approximately twenty-five million dollars worth of General Motors and Chevrolet common stock. In your direct examination you testified that after you and Mr. Raskob had become members of the General Motors Finance Committee in 1917, I believe, both of you, Mr. Raskob and yourself saw Mr. Durant a good deal more than you had in previous years, and that Mr. Durant talked very freely about the



business of General Motors, both as to its financial and operational aspects. Isn't that probably true?

A. That is correct.

Q. And in those discussions which you had with Mr. Durant, did he ever mention, while you were present, his need for aid in the financial management of General Motors?

A. I cannot remember that he did, no.

Q. Did you receive that information through Mr. Ras-kob?

A. I cannot remember any special discussions of that. I don't remember how the question of Durant-finances first came up.

Q. Now, I want to make myself clear. I am talking now about the aid in running the financial management of General Motors in the period immediately prior to du Pont's purchase of a considerable block of GM stock. Do I make myself clear?

A. I am a little uncertain as to what the situation was. My recollection is that Durant was not known by us to be in financial need personally, but news did come to us that he proposed expanding General Motors Corporation [fol. 2213] and would need money for that purpose. It didn't relate to his own personal affairs, but for General Motors affairs he would need in the future more capital, not that he was troubled about existing capital, but it was what he was going to do in the future.

Q. Did he express, while you were present, a need for men who were able in financial matters for General Motors Corporation?

A. No, I don't remember that, either.

Q. You don't recall anything of that sort?

A. No.

Q. In your conversations with Durant when he was talking about the operational aspects of General Motors, do you recall the nature of those conversations?

A. With respect to him personally, or in what way?

Q. Well, that is what I am trying to find out. You mentioned that he talked very freely about all aspects of the General Motors business, including the operational aspect, and I was wondering if you could describe to us, as best you recollect, just what those discussions concerned in the way of operations of GM?



A. I think the discussions were chiefly in connection with the future of General Motors; the possibilities in the future, and what should be done in the way of promoting the future and acquisitions of other properties, and with respect to the connection of Chevrolet and General Motors, but the more intimate matters relating to him personally, I cannot remember that Durant made any complaints about the personnel. That part was never taken up, so far as I know.

Q. Did Mr. Durant ever discuss with you the question of the volume of sales of automobiles by General Motors, either prospectively or at that particular year?

A. Well, yes, I believe he did. He was very enthusiastic over the future of General Motors.

[fol. 2214] Q. Did he ever discuss with you the question of supplies needed by General Motors?

A. No, I cannot remember that coming up.

Q. Did you ever receive any report from Mr. Raskob concerning the conversations that he may have had privately with Mr. Durant that concerned the use by General Motors of various products such as paints, varnishes and "Fabrikoid"?

A. I am sure I never heard anything of that kind.

Q. You knew nothing of that?

A. No. What year are you speaking of?

Q. I was addressing my remarks to the period immediately before the du Pont Company purchased its block of GM stock, in the latter part of 1917?

A. All right.

Q. The same?

A. Yes.

Q. Now, I show you what has been introduced as du Pont Exhibit No. 45, which was identified, I believe, either by you or by Mr. Irene du Pont as a memorandum prepared by Mr. Raskob proposing some sort of an arrangement between Durant and du Pont to form a Securities Company to split up control, apparently, of certain stocks of GM and Chevrolet.

Mr. Harlan: You don't mean du Pont, you mean the du Ponts individually?

Mr. Harsha: Yes, I believe it says here P. S. du Pont and Associates.

By Mr. Harsha:

Q. My question is this, Mr. du Pont. This is undated, you will note, and it was obviously prepared before the Raskob memorandum, which you were questioned about the [fol. 2215] other day, that he submitted to the Finance Committee on December 19, 1917. This was written before that, wasn't it?

A. I believe so, yes.

Q. Do you recall approximately how long before the Raskob report that this was prepared?

A. No, I have nothing to guide me there, unless it is in this memorandum.

Q. I find no reference to date, and I was just wondering if you had any recollection as to whether it was a month before, or several months before, or possibly a year before the Raskob memorandum?

A. No, I cannot locate any date on it.

Q. Very well, sir. Can I relieve you of those?

A. Thank you.

Q. I should now like to address a few questions, Mr. du Pont, about the circumstances surrounding this report which I have shown you, Government's Exhibit No. 124, which has been referred to as the Raskob report, dated December 19, 1917, addressed to the Finance Committee.

Now, in your direct examination, I believe you stated that prior to the submission by Mr. Raskob of this report to the Finance Committee, you had some conversations with Mr. Raskob concerning the proposed stock purchase in G. M.

A. Yes, I did.

Q. And also that Mr. Raskob showed you either a draft or the original of this report, is that correct?

A. Yes, I believe a draft of it.

Q. It was a draft?

A. Yes, I think I knew of it before this final report was drawn up.

Q. Do you recall approximately how long before he submitted the report you had seen it in draft form?

A. Oh, I would say a week, maybe—something like that.

Q. Perhaps a week before?

A. Not very long.

Q. And I believe you indicated in your conversations with Mr. Raskob that he asked you to in a sense promote the presentation of this issue before the Finance Committee and the Board of Directors?

A. That he asked me to promote it?

Q. Yes, isn't that right?

A. I don't remember that. He may have made some sort of remark.

Q. I think there was a statement similar to that in your direct testimony, but it is not important.

Now, this report that Mr. Raskob showed you in draft form—

A. Yes.

Q. (Continuing)—was it in any way different from the final report that was submitted?

A. I can't remember that it was. The only question that I have is with regard to No. 5, on page 12.

Q. I am sorry, I didn't hear you.

A. Point No. 5, "Our interest in the general Motors Company will undoubtedly secure for us the entire Fabrikoid, Pyralin, Paint and Varnish business of those companies, which is a substantial factor."

I am not sure whether that was in the draft.

Q. You are not sure that was in the draft?

A. Yes, I don't remember it being discussed with Raskob before the report was finally drawn.

Q. Well, do you know whose decision it was to put in Point No. 5 that was not in the original draft? Was it yours?

A. No, it was not mine.

Q. Mr. Raskob's?

A. I presume his.

[fol. 2217] Q. Do you recall the discussion to insert that Point 5?

A. No, I don't remember any discussion. I am not certain whether Point 5 was in it or not, but I think it was not.

Q. This draft form, did you read over the report?

A. Oh, yes, I was acquainted with it before it went to the meeting.

Q. You read the entire report?

A. I knew about Point 5 being in when I went to the meeting.

Q. And in your discussions with Mr. Raskob when you had read the draft report, did you express approval or disapproval of the report?

A. As a whole I approved it, yes.

Q. You did?

A. Yes.

Q. While it was in draft form did you discuss with Mr. Raskob the section of the report entitled "Method of Financing" which you will find on the second page? Do you see that section?

A. Yes.

Q. Do you recall whether you discussed that aspect of the report with Mr. Raskob?

A. Yes, I believe that was discussed.

Q. You did?

A. Yes.

Q. And then would you turn to page 4, the section of the report entitled "Necessity for Finding Investments." Do you recall having discussed that aspect of the report with Mr. Raskob?

A. Well, I agreed with that, but I don't remember whether I discussed it. I think that was written in the report and accepted as it was; I am not sure, though.

Q. Then, if you would turn over to the page 8, do you see the section that is entitled "Stock Available for Acquisition"? Do you find that?

A. Yes, sir.

Q. Do you recall whether you discussed that section or [fol. 2248] aspect of the report with Mr. Raskob?

A. I am quite sure that I knew of that occurring, the securing of options or the proposal to secure options.

Q. And then if you would turn over to what is numbered page 12 at the end of the report, the section entitled "Management," do you recall having discussed that section of the report with Mr. Raskob?

A. I don't remember any discussion of it.

Q. But it was in the draft report?

A. It was in the draft, yes, and I knew it was in there.

Q. At the top of that page—it really begins over on page 11, the preceding page, is a section entitled “Summary” and then there are the five points listed on page 12.

Do you recall any discussion between you and Mr. Raskob concerning that section entitled “Summary”?

A. I think the third paragraph in regard to the Class A stock was discussed. It was a rather unusual provision and was put in there for a definite purpose. I am quite sure that was discussed.

Q. Were any of the other points discussed?

A. Point 4 is obvious—“Better than an asset basis.” I knew that to be true.

But point 5, I am a little uncertain about that. I don’t remember any discussion of it.

Q. How about point number one, which reads:

“With Mr. Durant we will have joint control of the companies.”

Was there any discussion of that point?

A. No, I think that was accepted as obvious.

Q. After the du Pont Company accepted this report, [fol. 2219] in a sense, and went ahead and bought approximately \$25,000,000 worth of G.M. stock—I should say G.M. and Chevrolet, I guess—isn’t this exactly what did happen after that purchase, that with Mr. Durant, the du Pont Company had joint control of those companies, G.M. and Chevrolet?

A. I suppose at the time we made our purchases, Mr. Durant alone controlled the company by more than 50 per cent stock ownership.

Q. And you shared that control after your purchase?

A. Only at his invitation. There was no agreement as to that.

Q. Then I would like to address your attention to point two, the first sentence of which states:

“We are immediately to assume charge and be responsible for the financial operation of the company.”—



### Meaning G.M.

Isn't that exactly what happened after you made this purchase of stock?

A. That is right, yes.

Q. And as to point 3, that was subsequently changed, was it not, that is in operation, so that the du Pont Company bought the entire block of stock itself without calling upon the stockholders of du Pont to purchase some of the Class A stock?

A. That is right.

Q. But in point 3 there is also, you might say, a prognostication as to what sort of dividends would be realized as a result of this investment. Isn't it true that after you made this investment that in the ensuing years your investment in G.M. realized you dividends as large as those [fol. 2220] indicated here?

A. That is right, with the exception of the year 1921, I believe.

Q. Which was a depression year.

A. And maybe 1922 and 1923, I am not sure about that.

Q. Addressing your attention to the point No. 4, which states, "Our purchase is on better than an asset basis," that certainly is a correct statement, isn't it, as to that transaction?

A. That was my understanding at the time, seeing the reports, and so on.

On point No. 2, responsibility for the financial operation, that was at the invitation and wish of Mr. Durant entirely. There was no obligation to retain us or to employ us at all, but the thing was entirely controlled by Mr. Durant as manager in control of the company itself.

Q. Addressing your attention to point 5, which I believe you read aloud just a minute ago, that "Our interest in the General Motors Company will undoubtedly secure for us the entire Fabrikoid, pyralin, paint and varnish business of those companies, which is a substantial factor."

Isn't it true that over the years since 1917 that possibly, except for the United States Government as a customer in wartime, hasn't the General Motors Corporation been the largest single customer of the du Pont Company?

A. I really don't know that it has. I have no information.

Q. Isn't it true that after you made—when I say “you” I mean the du Pont Company—made this purchase of G.M. stock in 1917 that in the years following the du Pont Company did, in fact, secure all or a very large proportion of G.M.'s requirements of “Fabrikoid”?

A. I don't know that to be true, no.

[fol. 2221] Q. I show you Government's Exhibit No. 420, which is a communication written by Mr. Lammot du Pont as vice president addressed to you as chairman of the Board of Directors of the du Pont Company, dated August 10th, 1921, which states that:

“Sometime ago you inquired whether General Motors was taking its entire requirements of du Pont products from du Pont. My understanding at that time was that they were not. I have made inquiry and find the situation at present is as follows: (O. K. means that du Pont is enjoying all the business in their respective lines. Where I specify ‘No reason,’ there appears to be no reason for General Motors withholding the business from us. Where I say ‘With good reason,’ there is a logical explanation.)”

Then under that you will find that there has been set up in tabular form the listing of the various divisions of General Motors in the lefthand column and in the second—I guess technically the third column which you find in the middle of the page, which is headed “Fabrikoid”—do you see that?

A. Yes.

Q. You will note that opposite “Cadillac,” there are the initials “O. K.”, which according to the letter means that du Pont is doing all of the business in that line for that division; next is Buick, which states “O. K.”; next is Olds, which says “Part”, and then under that “No reason”, which means that du Pont is obtaining part of the “Fabrikoid” requirements, I gather, and that there is no reason as to the other part not being given to du Pont.

[fol. 2222] Then Oakland is next, and it states “O. K.” Next is Chevrolet, which is “O. K.” Then Scripps-Booth, “None.” Then Fisher Body is left blank, and the next is

G. M., and next and last is G. M. Truck, and that indicates "O. K."

This would appear to indicate, does it not, Mr. du Pont, that at least as of that particular time du Pont Company was enjoying all or a very substantial portion of G.M.'s business in "Fabrikoid"?

A. No, I don't think that is true. The Fisher Body Company was the largest user of those items. They were the manufacturer of bodies, and I doubt very much whether that is indicative of the condition you think it is.

I know of no record that would indicate what part of the bodies were manufactured by Fisher at that time, but the Fisher Company was purchased, or the control, for the purpose of obtaining bodies which General Motors did not and could not produce, and finally resulted in the Fisher Company supplying all of the bodies.

Q. Isn't it true that at the time that this letter was written, in 1921, that the voting control of Fisher Body, that is 60 per cent of its stock, had been purchased by General Motors, and then placed in a voting trust, the control of which was equally split between the representatives of the Fishers and representatives of General Motors?

A. I think that is true, yes.

Q. And that during this period of time while the voting trust continued, the Fisher Brothers did retain control over the management of Fisher Body?

A. They did, yes.

Q. Now, another product which was mentioned in Mr. Raskob's memorandum of December 17, 1917, was the commodity "Pyralin", a celluloid type product?

A. Yes.

[fol. 2223] Q. If you will look at the last column of Exhibit No. 420, which I believe you still have in hand.

A. Yes.

Q. You will note that the entire column is made up of O. K.'s., which indicates that each of the various body divisions outside of Fisher was purchasing all of its requirements of "Pyralin" from du Pont at that time, isn't that correct?

A. Yes. The same remark is true in regard to "Pyralin", that Fisher might have supplied all of that for the com-

panies for which they supplied bodies. I don't know whether they did or did not, but it was part of the body, though.

Q. I show you now Government's Exhibit No. 460, the first page of which shows it is a memorandum directed to you and to Mr. Raskob, written by Mr. Lamot du Pont, dated January 27th, 1927.

This is approximately six years after the other document I showed you and states on the first page that:

"At the last meeting of the Finance Committee the question of purchases by General Motors from du Pont was mentioned and I gathered that you were somewhat surprised at the statement that General Motors was not buying anywhere near all of their requirements of products, which du Pont makes, from the du Pont Company. I asked Mr. Allen to prepare a statement of those things which du Pont makes and which General Motors buys from du Pont competitors, and enclose herewith a letter from Mr. Allen which gives these figures in some detail."

Then on the next page, on the letterhead of the du Pont Company, there is this communication written by Mr. Allen, addressed to Mr. Lamot du Pont, president, entitled "Sales to General Motors and Fisher Body." [fol. 2224]. This is prepared in somewhat of an inverse fashion, I would say, in that it states that:

"In response to your verbal request for a statement of the volume of business on products of this Department that are consumed by General Motors and Fisher Body, but which was not enjoyed by the du Pont Company for the year 1926, this is estimated to have amounted to a total of \$5,339,500; made up as follows."

Then you will note that there is another one of these charts listing each of the GM car divisions, and then opposite that a column headed "Fabrikoid", another headed Rubber, which I presume refers to rubber coated products, doesn't it? Isn't that right?

A. I suppose that it means that, yes.

Q. And the dollar figures there, as I understand the chart, refer to the amounts supplied GM by competitors of

du Pont, isn't that correct? I believe that is a fact, Mr. du Pont? You see he states that the volume of business which was not enjoyed by the du Pont Company—

A. I suppose that is true, yes.

Q. And where there are dashes opposite the names of the various car divisions indicating no sales by competitors of du Pont, presumably du Pont is the sole supplier as of that particular time, isn't that correct?

A. I am not sure whether it means that or whether there is no information. The report doesn't state which it is, does it?

Q. You will note that on the first page, Mr. du Pont, the memorandum states that, "I asked Mr. Allen to prepare a statement of those things which du Pont makes and which General Motors buys from du Pont competitors." Presumably the dashes indicate total sales by du [fol. 2225-2227] Pont, isn't that right, or aren't you sure?

A. No, I don't know which it is.

Q. You will note that on page 2 of that document—do you see that?

A. Yes.

Q. After the table it states that, "The above figures for Parlin do not mention General Motors car units. The reason for this is that Buick, Chevrolet and Olds purchased practically 100 percent of their requirements, so that Oakland was the only unit who purchased anything worth while from competitors. This was mostly on Undercoaters and amounted to approximately \$100,000.00 for the year 1926."

Then it goes on to say:

"When we were discussing with the General Motors Purchasing Committee in the middle of last year the question of granting them a super discount as an inducement to place with the du Pont Company more of the General Motors business, they admitted that for the year up to that time General Motors and Fisher Body Company had bought a total of \$12,000,000 worth of materials made by the du Pont Company, of which \$7,000,000 had been placed with us and four million with competitors."

In view of that portion of the memorandum, isn't it correct to assume that this table now on the front of the page,



on the front of the document, indicates that where there is a blank that du Pont was the sole supplier of GM at that particular time?

A. Yes, I think it might indicate that.

[fol. 2228] Mr. Harsha: It is Government's Exhibit 125.

The statement is made:

"... The interest of certain officers of the company in the motor field was engaged for many months prior to the making of an investment by the company. While there is no immediate relation between the explosive industry and the manufacture of motors, this investment was made in such a way as to give opportunity for our financial organization to be of service, and at the same time increasing greatly our financial strength. The large engineering and construction forces of our company, the development, legal and accounting department facilities, coupled with the demands of the motor industry for talent of that kind, has furnished a connecting link which seems desirable in all investments. The consumption of paints, varnishes and fabrikoid in the manufacture of automobiles gives another common interest."

What was your purpose, Mr. du Pont, in inserting this statement in your annual report to your stockholders concerning, and I quote again: "The consumption of paints, varnishes, and fabrikoid in the manufacture of automobiles gives another common interest." Do you recall?

A. That means that those items, paints, varnishes and "Fabrikoid" were in use by the automobile industry.

[fol. 2229] Q. By those companies in which you had invested?

A. Well, the automobile industry, the manufacturers of automobiles of which General Motors was quite a small one at that time.

Q. Now, these were products which were then being manufactured and produced by the du Pont Company, were they not?

A. Yes, in a very small way, compared with what we are thinking of these days, but the General Motors Company was a small item in the motor business. Ford was sup-

posed to be 50 per cent owner of automobile manufacture, and I think undoubtedly was, and General Motors had about a third, maybe, of the remaining half, so it was a small item.

Q. Well, wasn't this intended also, this statement in the annual report, intended also as a justification for the du Pont investment of some \$25,000,000 in General Motors?

A. No, I can hardly say that, no. That is too great a disproportion. There was no warrant that we would get any of that General Motors business.

Q. The rest of that paragraph, you will note, refers to the investment in General Motors, does it not?

A. That is right, yes.

Q. Now, I would like to return very briefly to the period of time in late 1920, after the du Pont Company indirectly had purchased the Durant block of stock in General Motors, at which time I believe the record shows that the du Pont Company held either directly or indirectly, approximately 38 per cent of the General Motors common stock, and it was about that time in early 1920, or, pardon me, in late 1920, that you became president of the General Motors?

A. That's right.

[fol. 2230] Q. And then you related in your direct examination the incident which occurred, oh, perhaps six or eight months after you assumed the presidency of General Motors when it became necessary, in your judgment, to remove the heads of several of the motor car divisions of General Motors. Do you recall that?

A. Yes.

Q. I think the car divisions referred to were Cadillac, Oldsmobile, and I think Oakland?

A. Right.

Q. And there were several documents introduced on the reasons for those removals, which I don't want to go into at this time, but you were also shown a letter which indicated, did it not, that at the time that this change in the heads of these three car divisions was in the making, that you wrote a letter as president of General Motors, informing the du Pont organization that such a change was in prospect, and that as a result of that change du Pont should be able to sell substantially all of the paint, varnish and "Fabrikoid" requirements of those three divisions.

Can you tell me why the change in the top management of those three divisions should enable the du Pont Company to sell all of the requirements in those products?

A. Well, there seemed to be a feeling in the du Pont Company and in General Motors also, more or less of animosity in connection with sales to and from the other. The du Pont Company especially, in trying to make sales to General Motors, had the notion that there was a great deal of opposition, as salesmen always do excuse their troubles, and so that on that account, after the General Motors Company had changed the heads of their departments, if the Sales Department of du Pont was active, they should be able to sell their goods.

[fol. 2231] They wouldn't have the excuse that the General Motors people were set against them. They had new people in there, and the reason, if there was any, that General Motors would not buy from du Pont, had disappeared, and du Pont should be able to sell, if they were good salesmen and had a good product.

That was the chief determinant all along the line, as to whether du Pont really had a good product, and whether they had a good Sales Department.

Q. Of course, it is true that as of that time—and when I say “you” I mean the du Pont Company—the du Pont Company was selling a very considerable amount of the requirements in those products, such as “Fabrikoid” and rubber-coated fabrics, and paints and varnishes, to these three divisions, isn't that right, even before the change?

A. That is right.

Q. But it was not 100 per cent across the board?

A. No, we never did sell 100 per cent.

Q. Now, at the time that you wrote this letter to the du Pont Company in 1921, I believe, as president of General Motors, you didn't write a similar letter to any of the competitors of du Pont, did you, informing them of the contemplated change?

A. I don't quite understand the question.

Q. It is a poor question. Let me rephrase it.

I just asked you in connection with this letter that you wrote to the du Pont Company in 1921, informing them of the contemplated change in top management in these three

car divisions, and my question is that at that time did you write a similar letter to any of the competitors of du Pont, notifying them of this change?

A. No, I did not.

Q. And there is no question but what that letter that [fol. 2232] you did write to du Pont was in your capacity as president of General Motors, isn't that true?

A. I think so, yes.

Q. I don't want to tax you on this document, but I want to cover it thoroughly.

I am showing you again Government's Exhibit No. 124, and I would like to draw your attention to the last part of that exhibit, which is headed "Management." That is on page 12. Do you see that?

A. Yes.

Q. It is stated that:

"Perhaps it is not made clear that the directorates of the motor companies will be chosen by du Pont and Durant. Mr. Durant should be continued as president of the company, Mr. P. S. du Pont will be continued as chairman of the Board, the Finance Committee will be ours, and we will have such representation on the Executive Committee as we desire,"

omitting the last part of the sentence.

Aren't those statements that were made by Mr. Raskob in December of 1917 when this investment was under contemplation—isn't that exactly what did take place after the du Pont Company purchased this \$25,000,000.00 block of stock in GM?

A. I think that is correct, yes.

Q. Then isn't it true that right after this investment of some \$25,000,000.00 was made, the Board of Directors of General Motors, the size of it, was increased to include several additional men who had come from the du Pont Company? Do you recall that?

A. That is true. I think that was all arranged by Mr. Durant and Mr. Raskob before this was written.

[fol. 2233] Q. By the way, did Mr. Raskob ever make memoranda of his conversations with Mr. Durant concerning this matter?

A. I don't remember any.

Q. Did all the information that you got from Mr. Ras-kob concerning this matter come to you orally?

A. I think so, yes.

Q. Other than this report?

A. Yes.

Q. On your direct examination you described in some detail the circumstances under which, in I believe late November of 1920, the Durant block of stock in General Motors was purchased indirectly by the du Pont Company, and which resulted, as I recall, in a figure of approximately 38 per cent of the GM stock then being held either directly or indirectly by du Pont.

Isn't it true that after the du Pont Company bought this Durant block of stock and then had approximately 38 per cent of the outstanding stock in GM that the du Pont Company did in fact control General Motors?

A. No, I don't think so. Thirty-eight per cent is not controlling. There was a large percentage they did not control.

Q. We have introduced in evidence, Mr. du Pont, what is known as Government's Exhibit No. 1304, which is an excerpt from the 1920 annual report of the du Pont Company, and I show you the excerpt. I have the full report here, but I don't think I need tax you with that.

I would like to direct your attention to the second paragraph of that excerpt which states that:

"During the latter part of November last, Mr. W. C. Durant, the then president of the General Motors Corporation, requested that we take over the management and control of that corporation."

[fol. 2234] Then after that there is a detailed discussion in the report concerning the method by which this Durant block of stock was financed, and so forth.

Can you tell me what was intended by that statement in the annual report of the du Pont Company that you take over the management and control of General Motors?

A. Well, Mr. Durant had exercised that management and control for many years. Mr. Durant had resigned, and it



left the du Pont Company in the position of doing something to keep the company going. We happened to have officers in saddle and it was a natural thing for us to take hold.

Somebody had to do it. The "control" was not because we owned the stock. It was because we had individuals there who took hold and ran the thing.

Q. The "we" in the statement, where they say that we take over the management and control, that refers to the du Pont Company, doesn't it?

A. Well, I really doubt if it did, because the individuals were the ones who acted in that case. The company couldn't act in controlling General Motors. It has to be done by individuals, and they were the ones who stepped in and took over the management.

Q. There is no doubt in your mind that this is from an annual report of the du Pont Company?

A. I don't doubt that.

Q. Are you aware, Mr. du Pont, that over the years following the du Pont Company's purchase of this large block of Durant stock that the stock held by the du Pont Company either directly or through a subsidiary has constituted a very large percentage of the total stock voted at the GM annual stockholders' meeting?

A. I don't know that to be a fact. I have never seen figures on it.

[fol. 2235] Q. I show you an exhibit which has been introduced in this case, Government Exhibit No. 1307?

A. This is a new compilation, which I have seen.

Q. Yes, this is a compilation prepared by the Government of information submitted by various of the corporate defendants, I believe.

If you will address your attention to the right hand column, which is headed "percentage of du Pont voted shares of GM common to total shares of GM common represented at GM stockholder meetings," you will note that the percentages start out in 1928 at a little over 52 percent, by 1932 it is 51 percent, in 1933, I believe, it is 49 percent, and it fluctuates over the years. The lowest percentage, I believe, is the last year, which is 29.9 percent, or almost thirty percent of the total stock voted at the annual meetings.

You will note, though, that at some of the meetings where it ran over 51 percent, there could be no question, could there, that that constituted the controlling stock voted at that meeting?

A. Well, if du Pont had over 51 percent, over 50 percent of the stock voting at the meeting—

Q. That they could control the result of that meeting?

A. Yes, for lack of attendance, but that meant that the other stockholders who did not come to the meeting were perfectly content with what was going on. If the situation were otherwise, and the other 50 or 49 percent would be discontented, they certainly would have appeared.

Q. Yes, sir. That is a situation that obtains in many large corporations which have highly diversified holdings—perhaps I don't make myself clear, but there are many thousands of very small stockholders, and where you have a large concentrated block, of, say, 29 or 30 percent, that [fol. 2236] concentrated block can control in most stockholder meetings, isn't that true?

A. Can control?

Q. Yes.

A. Well, it depends on the corporation and those who attend. I suppose it would be very different in different corporations.

Q. Wouldn't you say that there is a difference, though, between a corporation which has a large public common stock outstanding in the hands of many thousands of stockholders as contrasted to the element of control in, say, a jointly owned subsidiary?

Take, for example, the subsidiary which du Pont and General Motors set up, Kinetic, Inc., where they split the stock 51-49. There is no question but what the du Pont Company with the 51 percent would control that subsidiary, isn't that true?

A. I am afraid I didn't get the point there.

Q. Well, I don't think it is a very good question myself. What I am trying to say is this: If you take Kinetic, Inc., you recall that that stock for a number of years was owned 51 percent by du Pont and 49 percent by General Motors?

A. Yes.

Q. That du Pont would then be in control of Kinetic, isn't that right? They could select the management?

A. Well, they did, but if there had been lack of harmony there, there would have been a very different situation. I doubt very much if du Pont with 51 percent would have controlled in that case. The 49 percent could have made themselves so disagreeable that they could have gotten many things themselves.

Q. But, as a matter of fact, in that situation, as I recall, the top management of Kinetic was selected from the du Pont Company, do you recall that?

A. Yes.

[fol. 2237] Q. To contrast that situation with a corporation, such as General Motors, where the records in this case show that there were several hundred thousand, I believe, stockholders, many of whom have very small blocks of stock, I was attempting to find out what the effect would be of having a very large block, such as the du Pont Company had, concentrated in its hands, what the effect would be with that large block of stock in the voting at the annual stockholders meeting?

A. Well, I suppose as long as the company was well run, the large block would prevail at the meeting.

Q. In connection with that, I would like to show you Government's Exhibit No. 235, which is a report prepared, or it is a memorandum by Mr. Raskob to the Finance Committee of du Pont, dated June 21, 1923, and I do not want to read the whole report, but I would like to call your attention to this sentence in the middle of the page, on page 2, where, after he has dealt with the purchase by the du Pont Company of the Durant block of stock in 1920, he states that:

"This gave the du Pont Company approximately 38 per cent of the total common stock of the General Motors Corporation which is practical control and made it necessary to assume complete responsibility for the management."

I assume that that "practical control" term used by Mr. Raskob there is similar to what you indicated in your last answer that they would, as a practical matter, control at the stockholders meetings, having that large block.

A. As long as they were well run, it would be, if they were not, it would be a very different situation.

Q. Now, I should like to address a few questions to this so-called Managers Securities Plan, and I believe you testified on that in your direct examination. Isn't it true that one of the purposes of the Manager's Securities Plan was to bring into the partnership with the du Pont Company certain of the top G.M. managerial executives so that together the du Pont Company and the top echelon of the G.M. management would manage and control General Motors?

A. No, I do not think that is the way to put it. The purpose was to get into General Motors a body of men who would be interested in the management of General Motors, and operate the company properly and profitably for themselves and for the stockholders in general, du Pont being one of them.

Q. In this same document that I have just shown you, No. 235, you will note that on page eight, there is a paragraph entitled "8."

The preceding matter is a discussion of this plan to set up the Managers Securities, and the second sentence of that states:

"We will be in a position to liquidate our entire indebtedness of \$35,000,000.00 of seven and a half percent notes created in order to finance this Durant purchase; will retain the same control of General Motors Corporation that we have today through controlling two-thirds of the stock of General Motors Securities Company with its 7,500,000 shares of General Motors common stock and will definitely tie up with us in the management and control of this huge investment the men in the General Motors Corporation who are definitely charged with the responsibility and success of the corporation."

Now, tell me, Mr. du Pont, what is meant by the phrase [fols. 2239-2240] ology that the result of this: "will definitely tie up with us in the management and control."

What was intended by that?

A. That it would tie these men, important men, to General Motors Corporation, which was a desirable thing to have. They were not stockholders in the du Pont Company, they were stockholders in the General Motors Corporation, and their allegiance would be to their own company, to their own advantage and to the advantage of all stockholders.

Q. I think it is probable, isn't it, that "us" referred to in this sentence, "will definitely tie up with us" refers to the du Pont Company, doesn't it?

I mean, this is the report, as I read it, that was prepared for the Finance Committee of the du Pont Company by Mr. Raskob.

A. Well, that does not harmonize with what happened, and I don't think that is very important. I think as long as the men had stock in General Motors Corporation, that was supposed to gain their allegiance to that corporation.

Q. Now, in connection with this very large block of General Motors stock that was placed in the treasury, I believe, of General Motors Securities Company, it was specially created so du Pont would act as depository for this General Motors common stock—isn't it true that the voting of that stock remained in the control of du Pont Company after 1923 until the final liquidation in 1938?

A. I am not sure when it ended. It did for a long time.  
[fol. 2241] By Mr. Harsha:

Q. Did it occur to you at the time that the Managers Securities Plan was set up, and the allotments were made under that plan, that one result of the plan was that it might make it difficult for arms length dealing between the top GM executives and the du Pont Company?

A. I never thought that, no.

Q. Do you recall Mr. J. A. Haskell, who had been, I believe, a vice president and sales manager of du Pont [fols. 2242-2245] Company, who later went into the General Motors organization.

A. That's right, yes.

Q. He was a vice president? He became a vice president, I believe, didn't he, of General Motors?

A. He did, yes, sir.

Q. I think very soon after the first purchase was made



by the du Pont Company, or perhaps before that, I am not sure, in 1917, but in any event in 1918 he was a vice president of General Motors?

A. Yes.

Q. Did you know at that time that Mr. Haskell from time to time was requesting information from the various car divisions of General Motors concerning their purchases, both the quantities they were purchasing from du Pont, and from competitors of du Pont, and that he was then sending such information to the du Pont Company?

A. I think I did, yes, sir.

Q. And was it the understanding or at least the attitude of many, many of the people in du Pont in this early period, 1918 to 1919, that they were going to get or at least serve General Motors their entire requirements in many of the products made by du Pont, and sold for the automobile business—that is, “Fabrikoid” and “Pyralin”? Didn’t they expect to have one hundred per cent of the business?

A. Who in du Pont are you speaking, the salesmen or the officials of du Pont or—

Q. The heads of the divisions. For example, the head of the chemical products department.

A. I think they knew very well that they would not get the business, unless they had the quality and delivery of goods that were needed.

That was the prime factor.

[fols. 2246-2247] By the Witness:

A. Well, the 1917 report referred to the motor industry in general, of which General Motors was a small part only. The Ford Motor Company was the largest producer of cars, and at that time I believe the largest consumer of those products.

By Mr. Harsha:

Q. If I understand your answer, are you saying that the language, the motor companies, in that paragraph, does not refer merely to General Motors and Chevrolet?

A. That is what I mean, yes.

Q. You mean that it refers to the entire automobile industry?

A. Yes.

Q. But this paragraph of the report is the first official announcement, is it not, by the du Pont Company of its investment in the General Motors and Chevrolet companies to its stockholders?

A. I believe it was, yes.

[fols. 2248-2257] The Court: Any redirect examination?

Mr. Harlan: I have just one question, if the Court please.

Redirect Examination.

By Mr. Harlan:

Q. Mr. du Pont, when the offer of Coleman, or the information that Coleman was going to sell his stock, came to you, and you inquired through Dunham as to whether Coleman would be willing to sell all of his stock, or sell part and pool the balance, what prompted you to make those suggestions?

A. That refers back to the incident of Kraftmeier in which I assured Kraftmeier that Coleman's stock would be protected, and would not get into foreign or enemy hands.

Q. The pool that was contemplated in the event that Coleman had not sold all his stock was a pool with whom?

A. It was an agreement with the purchasers of his stock.

Mr. Harlan: Thank you, that is all.

Mr. Harsha: No recross.

(Witness excused.)

Mr. Harlan: Now, I understand that Mr. du Pont is released.

Mr. Harsha: That is correct.

Mr. Harris: If your Honor please, we ask that Mr. Irene du Pont be called for cross examination.

IRENEE DU PONT, a witness called on behalf of the Defendants, having been previously duly sworn, resumed the stand, was examined and testified further as follows:

**Cross Examination.**

[fol. 2258] Q. Du Pont's Exhibit No. 69 is a letter from Beardslee of the Executive Committee to Haskell, Pierre du Pont and Dwinnell, dated December 17, 1908, advising of the action of the Executive Committee of December 16, appointing Haskell, Pierre du Pont, and William D. Dwinnell as a committee to report as to what steps are being taken when idle capacity in the smokeless powder plant might ensue.

Do you recall that committee?

A. I recall that committee, and I read the report Dwinnell made. That was made before my time.

Q. Yes, sir. On March 6, 1909 du Pont's Exhibit No. 70 advises of action of the Executive Committee that the special committee appointed on December 16, 1908, to which I have just referred, to make a study for the further uses for guncotton and other products of our smokeless powder plants be changed to consist of Messrs. J. A. Haskell and Irene du Pont.

That was you, wasn't it?

A. Yes, sir.

Q. And you went on that committee after that, did you?

A. I did.

Q. Now, I call your attention to Government Exhibit 101, which is a report to you, Mr. Irene du Pont, by Mr. W. W. Richards.

It is dated March 16, 1909, and it concerns artificial leather and nitrated cotton requirements.

Do you recall such a report?

A. I can't recall that one from any other report, but I have no doubt—

[fols. 2259-2267] Mr. Harris: I didn't know it was withdrawn, sir. If it was withdrawn, may I offer it at this time?

There is no note on my document that it was withdrawn.

The Court: My records show that it was withdrawn.

Is there any objection to its introduction at this time?

Mr. Harlan: No, your Honor.

Mr. Harris: Thank you.

(Said document so offered and received in evidence was marked Government Exhibit No. 101.)

[fols. 2268-2281] Q. I am going to call your attention only to three items on that, item No. 2, item No. 3, and item No. 10. That is all I will ask about.

A. Yes, sir.

Q. This report gives a list of principal industries using nitrocellulose.

I call attention to No. 2 which is artificial leather, including dress shields, hospital sheetings, et cetera;

No. 3, which is lacquers, dips, enamels, paints, bronzing liquids, varnishes, et cetera;

And No. 10, celluloid.

Now, in the artificial leather field, you had by this time—this is now 1913,—you had acquired Fabrikoid and one or two of these companies.

Who were your customers at that time for artificial leather, if you know?

A. I don't know. We had a great variety of customers at that time.

Q. There were, however, were there not, some automobile companies?

A. Some automobile companies? I have no doubt there were.

Q. Calling your attention to the lacquers, dips, enamels and other similar products, do you recall whether at that time or around that time the du Pont Company went into the business, rather extensively into the paint and lacquer business?

A. We went into the paint business later, but we were in the lacquer business. We inherited that from the International Smokeless Powder Company, I think, in about 1902 or 1903. They had a lacquer plant, and that had been in operation up to this time, which was a decade or more afterward.

[fol. 2282] Q. Before the matter came to the Finance Committee, had you heard of it in any other way?

A. Not before I got that report.

Q. You had had no talk with Mr. Raskob about it before then?

A. I recall none.

Q. Would you say that Mr. Raskob was, what you might call, the moving spirit in that investment?

A. I think he was.

Q. At this Finance Committee meeting, which was the subject of the report, Exhibit 124, do you recall whether it was a full meeting? Do you recall whether most of the members were present?

A. I know there was a quorum present. I couldn't remember whether they were all there. That, the minutes of the meeting will disclose.

Q. What would be a quorum?

A. I don't know how many directors there were at that time. It is given in the minutes of the meeting, I think.

Q. Yes. The Finance Committee would be made up of directors, wouldn't it?

A. Yes, sir.

Q. I will be coming back to Exhibit No. 124.

Now I call your attention to Defendant du Pont's Exhibit No. 47, which are the minutes of a special meeting of the Board of Directors of your company, held on December 21, and will ask you to look at the list of directors whose names appear there, and will ask you if it refreshes your recollection as to who was present or if you remember those persons being present.

A. Of course, I couldn't remember that many years back [fol. 2283] just who was present, but I have no doubt that these were present if it is so stated here.

Q. That isn't exactly what I want. I would like to know who you remember were present at that meeting, if you remember any of them.

A. Well, I remember I was present, and we had a pretty full meeting. But I couldn't say which ones might have been absent, if any.

Q. It is rather important. I would like to take just a few of these names and see if it rings any bell.

Was Pierre there?

A. I am quite sure he was.

Q. Was Lamot there?

A. I think so, but—



Q. Was Raskob there?

A. Yes, he was there.

Q. Was Laffey there?

A. I don't know.

Q. You know who Laffey was?

A. Yes, he was our chief counsel.

Q. You don't recall whether he was there that day?

A. I don't.

Q. You remember, do you, that at that meeting—yes, I think at the Board meeting—there were three dissenters, three people who dissented, who didn't want to make the investment? Do you remember that?

A. There might have been three at one time in the discussion. I don't think that there were only three that were opposed and stayed opposed all the way through.

Q. What is that?

A. I don't think that would be a correct statement, only three who opposed or had any question of it.

Q. So that we understand each other, do you mean that during the discussion there were more than three who opposed it?

A. I couldn't tell you.

Q. Do you mean that you don't remember there were only [fol. 2284] three who finally opposed it?

A. No, I can't recall that.

Q. Who was E. G. Buckner?

A. Mr. Buckner had been head of the Smokeless Sales Department during the first World War.

Q. He was Colonel Buckner, wasn't he?

A. Yes, I think a Kentucky Colonel.

Q. Who was A. Felix du Pont?

A. Felix du Pont was my cousin and by brother-in-law.

Q. Do you remember whether Felix du Pont was there?

A. I couldn't remember about that. I would always go to the record to see who was there. If the record says he was there, he was there.

Q. It is your memory I am seeking now to know about.

A. I couldn't be sure he was there from memory, but I would guess he was.

Q. I would rather not have a guess. If you don't remember it, I will understand you don't remember it.

Was Eugene E. du Pont there, if you remember?

A. I think he was, but I am not sure of that.

Q. Who was Eugene E. du Pont?

A. Well, he was a second cousin of mine, and of Pierre's and of Lammot's.

Q. When the matter came up for discussion before the Board—we are coming now to the Board meeting—do you recall anything of what was said at that meeting, anything at all?

A. I recall a good deal of the drift of the argument because I had that same opinion. I was of that opinion, that the automobile was a great, coming industry. I felt very sure of that.

I was not a bit worried over the thought that the saturation point had been reached in automobiles. It was quite the fashion to forecast when everybody that wanted an automobile would have one, and the business would dwindle. I was not a disciple of that particular point.

[fols. 2285-2330] That was given, I think, as one of the reasons. The earnings statements were vouched for by John Raskob, I remember that. And I thought that one of the things to assure me that the investments were properly accounted for, that there was no fake in the large earnings they were making, was the fact that they proposed to let us have charge of the finances. Of course, if there was anything crooked, we would dig it right up.

So I felt sure we had a safety valve on that. That weighed with me. I don't know that I originated that. I think somebody else may have mentioned that there was no question about the safety of the figures given for earnings.

I think it was just a very long-sighted speculation in the stock,—speculation is not the word—investment. Because we thought we could add to that investment by controlling the weakest place, which Durant admitted openly, and it was quoted in there, that Durant was an expert at making cars, but he had not been very successful in financial ventures.

Q. Your position in the du Pont Company at that time was what, Mr. du Pont? What was your official position?

A. 1917? I was Chairman of the Executive Committee and vice-president.

Q. The Executive Committee has to do, has it not, with the operational part of the company?

A. Yes, sir.

[fols. 2331-2341] Going over now to the last paragraph:

"Please do not misunderstand the attitude our laboratory has taken toward your Company with respect to cooperative research. We are very heartily in favor of doing everything we can for you and having you do everything you can for us. It is simply the matter of a formal agreement, which I personally believe would be out of place, that is causing all the misunderstanding."

Q. What was the misunderstanding?

A. It doesn't state here. I can't—

Q. No, I wonder if you know.

A. No. I think this refers to the fact that we were preparing various organic materials which would be tested out to see if they were good anti-knocks or not, and that no arrangement had been made as to who paid for it. We were just simply doing it on the cuff.

Q. Were you doing it at the request of General Motors?

A. Yes.

Q. And you proceeded to do that, didn't you?

A. We did for a while, but I think that at this time it was probably called off because they asked us not to do anything more. They found the perfect antiknock.

Q. Then what did du Pont do about it?

A. Well, that is where I got into it. I went out to see Mr. Kettering, sometime after this letter from Pierre was received, and tried to sell him the idea that we ought to make tetraethyl lead for him.

[fol. 2342] By Mr. Harris:

Q. What would you say he meant by that,—it would be a disturbing influence?

A. I don't know, unless it had to do with the distribution. They were afraid they would get tied up with Standard Oil, and maybe they could not sell to other oil companies.

Q. Didn't they already have an exclusive Standard Oil contract for the eastern seaboard?

A. I don't think so. Did they?

Q. That is what I think.

A. I never was in any of those deals with Standard Oil.

Q. They say:

"Our contract with them provides for distribution throughout practically all the Eastern Seaboard."

A. Well, they wanted more than the Eastern Seaboard. They wanted to supply the whole nation with tetraethyl lead.

Q. Then he goes on to say:

"If it develops that these people have a process which, due to the nature of same, it should be cheaper from the standpoint of manufacture, I personally would much rather obtain a license from them, pay for it and get the du Pont Company to use it in reducing the cost than I would to deal with the Standard Oil Company as a manufacturer."

[fols. 2343-2351] This was your point of view?

A. It was, yes. Could I butt in to say that although I wrote Sloan that was the right way to do it, to turn over the Standard Oil negotiations to us, because we could evaluate what it was worth on a dollar and cents basis rather than have them get tangled up with some alliance which they absolutely did not want to do, and although Mr. Sloan replied to me and said that we have done so-and-so, it was just the reverse, and they made a deal with Standard Oil.

Q. They made a deal with Standard Oil, didn't they, to let Standard Oil go ahead and manufacture one hundred gallons a day?

A. Yes, something of that order.

Q. When you heard about that, didn't you say that you should be allowed to manufacture a thousand gallons a day?

A. Yes, I think so. They were in a hurry to get it, and Standard Oil could not expect to catch up. We had experience which we had gotten by making it from the bromine process.

Q. If Standard Oil could only make a hundred gallons a day and you, at the same time, were making a thousand

gallons a day, Standard Oil would be at somewhat of a disadvantage in competition with du Pont?

A. Yes, sir.

Q. Now, Mr. Sloan at that time was taking, was he not, the du Pont point of view in this matter?

A. What?

Q. Mr. Sloan was taking the du Pont point of view?

A. He did in this matter, but very shortly afterwards, he reversed it entirely and dealt with Standard Oil.

[fol. 2352] By Mr. Harris:

Q. I call your attention, Mr. du Pont, to Government's Exhibit 710.

A. Yes, sir.

Exhibit 710 is a letter, apparently from A. P. Sloan to yourself, dated December 12, 1924, regarding your coming on the Board of Ethyl.

You stated that "on account of the fact that you were contractors, and all that sort of thing, it might not be just the right thing to do."

What was the ground of your objection to going on the Board?

A. That is stated in the letter by Alfred. My feeling was that unless I could do some good going on the Board, something of specific value, I ought not go on on account of the fact that although I would be looked upon as a General Motors man on the Board, I still would be a contractor with them on these contracts, and I had to keep aloof from that, and sometime I might want to say something about the contracts, which I couldn't do.

Q. Would that mean that you thought there might be a possible conflict of interest?

A. The looks of it rather than the fact. I would be perfectly square, but somebody else might not think so.

Q. Who was Ethyl Gasoline Corporation? Who were [fol. 2353] they?

A. Ethyl Gasoline Corporation was a corporation, I understand, organized by General Motors, in which General Motors held fifty percent of the stock, and Standard Oil of New Jersey held fifty percent of the stock.

That was formed before I knew that it had been formed, and we dealt with them rather than with General Motors after that combination. In other words, we contracted



with Ethyl Gasoline Corporation. It was in the same box with General Motors.

Q. You were contracting to make the tetraethyl lead?

A. I was what?

Q. Contracting to make the tetraethyl lead.

A. With the owners of tetraethyl lead.

Q. I said, du Pont was going to manufacture tetraethyl lead?

A. For Ethyl Gas.

Q. That is right, and Ethyl Gas did the distributing?

A. No.

Q. Ethyl Gas sold it?

A. No. The fluid we sold to the Ethyl Gas. The manufacturers of gasoline, I understand, did the actual blending with the gasoline.

Q. Now, did you go on the Board?

A. I did, yes, sir.

Q. Then you stayed on the Board, did you not, for about 13 years until 1937?

A. Yes, sir.

Q. I think we can agree that you resigned December 20, 1937, did you not?

A. I did.

Q. One of the reasons you gave there was that "It is the feeling of our Finance Committee that it might be better that du Pont Company should not have even such a representative as myself on the Board."

Mr. Harlan: What exhibit is that?

[fol. 2354] Mr. Harris: I am reading now from Exhibit No. 796, which was withdrawn.

Mr. Harlan: Witness hasn't got that.

Mr. Harris: He has it now.

The Witness: Why, yes, I wrote that letter to Mr. Webb, who was the president of the Ethyl Gasoline Corporation, and retired.

Mr. Harris: As this exhibit was withdrawn, may I now offer it in evidence, if the Court please?

Mr. Harlan: No objection, your Honor.

The Court: It is received.

(Said document, so offered and received in evidence, was marked Government's Exhibit No. 796.)

By Mr. Harris:

Q. What then, if you know, was the reason that the du Pont Company felt that it would be better that they should not have even such a representative as you on the Board when the company, that is the du Pont Company, I take it, is negotiating with Ethyl on a very important and far-reaching contract?

What was the point of your resigning at that time?

A. My own reason at the time was that I was tired and wasn't doing anything of value, and I thought I ought to get out.

I think I approached the Finance Committee, and they put up this additional reason. As I understand at that time we were going to change from an arms-length contract for bidding to make so much gas to some sort of an arrangement whereby we acted as their agent and participated in the profits, and things like that.

[fols. 2355-2363] I don't know what all it was about, but I dropped out of it at that time.

Q. Had you been on the Board when any previous contracts between Ethyl and du Pont had been made?

A. I had.

[fols. 2364-2374] Q. I call your attention now to a document which is an Advice of Action of the Executive Committee of du Pont on February 16, 1923, and is numbered Government's Exhibit No. 382.

Mr. Harris: Excuse me, that was withdrawn. I have given a copy to counsel.

The Court: I don't have No. 382 in by book.

Mr. Harris: No, I ask leave to introduce it at this time.

The Court: Any objection?

Mr. Harlan: No objection.

The Court: It is received.

[fol. 2375] Q. Well, I am asking you, sir, what Mr. Haskell did for du Pont before he went to General Motors?

A. Well, he had been a vice president of the du Pont Company in charge of sales for a number of years.

Q. That's right.

A. And had been on the Executive Committee, the old Executive Committee, and he was semi-retired before then. They made him just a consulting man.

Q. Now, what did he do for General Motors in his capacity as vice president?

A. I understood that besides being a vice president, which would have any duties that the president saw fit to assign to him, that he was also a representative on the Finance Committee as a sort of a liaison officer from the operating men in General Motors, operating the general manufacturing end, and he was also a member of the Executive Committee which handled the operations, physical operations of General Motors.

Q. Was he a liaison man between General Motors and du Pont?

A. No.

Q. Were you aware, Mr. du Pont, that Mr. Haskell was obtaining from the various divisions of General Motors and conveying to du Pont, the amount of business shipped and business bought?

A. I am quite sure that was not his duties. He may have been called on to do it in some particular case.

Q. I call your attention to Government's Exhibit No. 293, a letter of May 22nd, 1918, from William Coyne to C. L. Petze, concerning sales to General Motors Corporation.

[fol. 2376] I call your attention only to the last paragraph but one, and it begins, "Mr. Haskell makes the suggestion."

A. This wasn't part of the regular procedure of the du Pont Company.

Q. I have not yet asked a question. Will you wait a minute, please, Mr. du Pont?

Who was W. L. Coyne?

A. Coyne?

Q. Yes.

A. He had formerly been in charge of sales in the du Pont Company, and he also became a member of the Executive Committee after the war or at the beginning of the war.

Q. Who is C. L. Petze?

A. Petze was a financial man originally. They said he was an accountant and had charge of the payrolls, and items of that kind. Later he went into the sales department and it seemed to suit his abilities much better. He was a very aggressive young fellow.

Q. At this time was he in the sales department of "Fabrikoid"?

A. What?

Q. Was he in the sales department of "Fabrikoid"?

A. I presume so. I don't see it here, but—

Q. All right. I am going to read this paragraph:

"Mr. Haskell makes the suggestion, which I consider a good one, that I advise him periodically as to the business shipped and business booked with the different motor branches, of General Motors, and also advise him what proportion of their business is going elsewhere. With this information in his possession, he will be able to keep in touch with the relations between the Arlington Works'"——

What is the Arlington Works?

A. That was the "Pyralin" plant.

[fols. 2377-2381] Q. Is that where "Fabrikoid" was made?

A. No.

Q. (Continuing):

"and the General Motors Company, and will give me his suggestion at any time when the conditions indicate the need of special attention'."

Would you know what he meant by that?

A. Well, you will recall that at that time "Pyralin" was used as windows in the curtains of automobiles, before the closed body type. In those days, there were a great many competitors in that, and there was a criticism about the competitors' "Pyralin" turning yellow and turning brittle, and breaking, and there were continual troubles of that kind.

Now, I think what we were asking there was to find out about "Pyralin", because this refers to "Pyralin" and not to "Fabrikoid". I know we licked that job. We found out a way of fixing the "Pyralin" so it wouldn't turn yellow and get brittle. As soon as we did that we got substantially all of the business.

Q. I call your attention to Government's trial Exhibit No. 294, a letter from J. A. Burckel, sales manager of the Arlington Works, to J. A. Haskell, Vice President of du Pont, dated June 15th, 1918.

A. That is exactly what I guessed a moment ago, that it had to do with the sheeting of "Pyralin".

Q. Yes, sir.

A. But it was "Pyralin" put in sheets for the use of making windows in automobiles that were not closed jobs.

Q. Well, it was a du Pont product, wasn't it?

A. Yes, sir.

[fol. 2382] Q. What amount of "Fabrikoid" did Buick take?

A. I couldn't tell you, sir. I don't carry those in my mind, but Cadillac I know because I drive a Cadillac, and it doesn't use artificial leather. The seats are upholstered in very fine upholstery, not leather, but some sort of a mohair. From driving cars around for several years, I don't see any "Fabrikoid" in them at all. There may be a piece back in the trunk on the floor. I am not one of these fellows that journey around. There may be a piece there, but barring that or at some other hidden place, I don't think they have any.

The same is true of "Pyralin". "Pyralin" we used to sell in the early days when the sheets were used for windows in the open top car and we did that, and we got it purely on account of the excellence of our "Pyralin". We washed it so thoroughly that no nitric acid was left in it which made it turn yellow and crack, and of course we got all of the business as soon as they found out ours would outlast the others two or three times over.

Q. How much "Fabrikoid" did Oakland take?

A. I couldn't tell you unless it is written there.

Q. How much did Chevrolet take?

A. I think they took more than Cadillac, because they did have—

Q. So that the figure you gave us this morning was one that came to you because of your observation that Cadillac used very little "Fabrikoid", was it?

A. I think so.

[fol. 2396] Mr. Hurd: If the Court please, the next witness for the defense is Mr. Alfred P. Sloan, Jr.

Mr. Sloan's hearing is rather bad, and I wonder if it would be agreeable with the Court if I would stand near him for examining purposes.



The Court: I have no objection.

Mr. Hurd: Mr. Sloan, will you take the stand, please?

ALFRED P. SLOAN, JR., called as a witness on behalf of the defendants, having been first duly sworn, was examined and testified as follows:

Direct examination.

By Mr. Hurd:

Q. You are Alfred P. Sloan, Jr.?

A. Correct.

Q. At the present time you are Chairman of the Board of General Motors Corporation?

A. Correct.

Q. Mr. Sloan, will you tell us when and where you were born?

A. Waterbury, Connecticut, May 23, 1875.

Q. Where were you educated?

A. Massachusetts Institute of Technology. I graduated there in 1895 with a Bachelor of Science degree in engineering.

Q. After finishing college, what was your first employment?

A. I went with the Hyatt Roller Bearing Company, a small manufacturing enterprise in Newark, New Jersey, which was engaged in developing a special form of anti-friction bearing.

Q. How long did you remain with that company?

A. I remained from about 1898 to 1916.

Q. What was the nature of your work with the company?  
[fol. 2397] A. Well, it was a very small institution, and I was draftsman and sort of a super salesman and a general assistant to the manager of the enterprise.

Q. For how long?

A. For a period of two years. Then circumstances developed and I assumed the title of General Manager.

Q. What were those circumstances, briefly?

A. The circumstances were that the business was not successful. It was losing money, and the individual who

was putting up the money finally decided that he was not willing to continue it.

So he and a friend, of his and my father agreed and did put up an aggregate sum of \$10,000.00, and I was given the job of operating the business for six months to see whether I could turn it from the red into the black.

In that six months I succeeded in making \$10,000.00, and that established it as a going concern, of course, in a very small way.

Q. Did it continue to grow after that time?

A. It continued to develop after that, especially after the turn of the century it developed in a very big way because the automotive industry was really born in 1900, and after that our business increased very rapidly.

Q. What industries did you service primarily?

A. The anti-friction bearing business at that time had not yet found itself. We succeeded in getting our bearings in a small way on mine cars and shafting, and we had a small business in equipment involving the manufacture of paper.

The mechanical arts at that time had not reached the point where efficiency demanded a bearing of this type, and not only that, but the manufacture of steel had not yet got to the point where we had the tensile strength to carry the high load necessary in an anti-friction type bearing.

[fol. 2398] Q. After the turn of the century, when the automotive industry arose, did you provide bearings for that industry?

A. Yes, we did. As I said before, the automotive industry really was born in terms of the generalities in 1900.

After that we began to get orders from individuals who were experimenting in what was called at that time the horseless vehicle. We followed those up very aggressively, and while many of the manufacturers who carried on those experiments never came through in a big way, yet a few of them did. By following up these experiments from engineering and sales work, we developed over the next few years quite important positions so far as the anti-friction bearing is applied to automotive practice.

Q. What automotive companies were your principal customers?

A. Well, they were all our customers at the beginning. It is interesting to observe perhaps that there were 2500

manufacturers of automobiles that came into the picture and went out of the picture in the first 15 years of this century.

People like Ford, of course, developed in a very big way. The Hudson Company was organized, and also reached important proportions. The Reo Company, at that time the Olds Motive Works, likewise.

There were two or three companies down in Indiana and Ohio, the Haynes. There was a very considerable number of manufacturers who really did what in those days was a considerable volume and our bearings were applicable not only to those manufacturers who used the gasoline engine, but also the steam cars and also to some extent electric vehicles. They were all in the picture at that time.

Q. To what extent were you a supplier of the Ford Motor Company?

A. We were a 100 per cent supplier to the Ford Motor [fol. 2399] Company of those parts of the Ford chassis in which our bearings were applicable.

In other words, most anti-friction bearings had certain points of superiority in certain parts of the design as against others. We had a very strong position in certain parts, and in that position we had 100 per cent of the Ford Motor Company.

Q. Could you tell us what your largest customer was in, say, 1915?

A. Ford Motor Company.

Q. Approximately what was the Hyatt Roller Bearing Company worth? What was its net worth in 1915?

A. I haven't the figures, Mr. Hurd, definitely in mind, but it was something around \$5,000,000.

Q. Had any money been put into the company since that addition in 1898?

A. No. In those days a business could develop on its own earnings. Now, of course, that is impossible because the government takes so much.

Q. Taking up the year 1916, were there any changes made as far as the Hyatt Roller Bearing corporate situation was concerned?

A. In 1916 I received an invitation to call on Mr. W. C. Durant. Mr. Durant at that time was president of the Chevrolet Motor Company, and he had organized the

Chevrolet Motor Company back somewhere about 1912, and he asked me to come to see him, which of course I did.

I found out that what he wanted to know was whether the Hyatt Roller Bearing Company was for sale or not. Of course, it came as a great surprise to me because I wasn't thinking of such a thing.

I took the matter under advisement and consulted our directors, which consisted of two lawyers, my father and myself, and I made a recommendation that we should sell [fol. 2400] the Hyatt Roller Bearing Company to Mr. Durant, and that the price should be \$15,000,000.

I think they thought it was a pretty big price, but I tried to sell them and succeeded in selling them on the idea that we had a very great deal of good will in the previous ten years. We had developed a position where we were really consulting engineers to most of the large companies.

We had opportunity to discuss the engineering design and formulas, and I felt that our good will should be rated at a very high value.

My associates finally approved the proposal, and I had entered into the negotiations with Mr. Durant. Like all those kind of cases, you have to do a certain amount of dickering.

To make a long story short, I finally sold Hyatt Roller Bearing Company to Mr. Durant for \$13,500,000.

Q: What was the basis of your recommendation that you sell the company?

A. Why did I do it?

Q. Yes.

A. Well, I had become forty or forty-one years of age. I had worked very hard all my life and I felt it was clear that the automobile industry as it grew and developed would require large scale operations, and I felt that any accessory manufacturer—and I was ranked as an accessory manufacturer—would be very much handicapped unless they associated themselves with some large producer, because I had developed in Hyatt a very large plant and if I lost one or two accounts, there was no place in the world I could get the business to build it up because it didn't exist.

So I thought if I had an opportunity to capitalize my

twenty years' work, and protect my own family and myself, [fol. 2401] that it was a wise thing to do.

Q. Had you been a supplier of General Motors Corporation?

A. To some extent, Mr. Hurd. I really had not been a supplier to General Motors direct, but in the automobile business at that time and today, accessory manufacturers frequently sell to other accessory manufacturers, who, in turn, sell to the car operation. And most of my business, so far as General Motors units were concerned, went to the Weston-Mott Company, who built axles for the General Motors units, particularly Buick.

Q. Was there any company other than Hyatt Roller Bearing involved in this 1916 transaction?

A. Yes. I didn't know about them at the time, but it finally developed in further discussion with Mr. Durant that there were four other companies involved.

Q. Do you recall what they were?

A. Yes. One was the New Departure Manufacturing Company. It was a large producer of ball bearings, in Bristol, Connecticut.

The second was the Delco-Remy Electric Company of Anderson, Indiana, who were manufacturers of electrical equipment for the automotive industry.

The next one was the Dayton Engineering Laboratories Company, which was a company that originated and sold starters some years before, and they made a self starter and ignition for automobiles.

The last was the Perlman Rim Corporation of Jackson, Michigan. Perlman Rim Corporation at that time was supposed to have controlled a patent on a demountable rim. So, with Hyatt, that made five operations in the aggregate.

Q. Who initiated the bringing in of these additional companies, these four additional companies?

A. After the organization of the United Motors Corporation?

[fol. 2402] Q. No, at the time.

A. Mr. Durant was the one that had the conception of the United Motors. He was the one that picked out the companies that were to be included in the United Motors organization.



Q. Did the Hyatt Roller Bearing Company then become a part of the United Motors?

A. It became a part of the United Motors, yes, Mr. Hurd.

Q. On what basis was this transaction handled? Did you sell for cash or for stock?

A. Well, at the time the original discussions came up with Mr. Durant, it was understood it was to be a cash deal.

In the final negotiations, when I found out what the type of the organization was going to be, I agreed to take half cash and half stock, so that the deal with the Hyatt Roller Bearing Company was made on that basis. I don't know how the deal was made with the other four companies because I had no part in that at all.

Q. Was this stock of United Motors Corporation that you took?

A. What?

Q. What stock did you receive?

A. United Motors Corporation.

Q. Was that offer of half stock and half cash an offer that was made to all stockholders of the Hyatt Roller Bearing?

A. Yes, it was.

Q. Did they all take half stock and half cash?

A. No. Some were not willing to take stock. As a matter of fact, at that time the automobile industry had not demonstrated its capacity as, I might say, a legitimate enterprise. There was a good deal of prejudice against Mr. Durant and his operations, because it was looked upon by conservative investors as quite speculative, so some of my stockholders were not willing to accept the fifty-fifty proposition.

[fol. 2403] In that case, in view of the fact that I was anxious to deliver as much as I could to Mr. Durant, I took more stock and less cash.

Finally, after a good deal of negotiation, with the various stockholders, I turned the property over to Mr. Durant 100 percent, but it was at the sacrifice of cash to myself. Of course, in turn for that, I got more stock.

Q. Approximately what percentage of the stock turned over by the Hyatt Roller Bearing Company did you and your father acquire?

A. We had 60 or 65 per cent of the common stock of the Hyatt Roller Bearing Company. When the final deal was consummated, Mr. Hurd, I did not know what my proportion of the stock relative to the cash was, but I do know that I had considerable less cash than the fifty-fifty basis, consequently more stock.

Q. In negotiating this transaction, did you have any contact with any representative of the du Pont Company?

A. No, I did not know anybody in the du Pont Company at all at that time. They did not enter into it.

Q. After this sale to United Motors, what did you personally do?

A. Well, I was made,—I became president of the corporation, that is the United Motors Corporation.

Q. At whose suggestion?

A. It must have been, Mr. Hurd, at Mr. Durant's suggestion, because it was his concept, and he was determining the various—made the various decisions. I have not any recollection of how he called me. That has gone out of my mind but anyway I became president of the United Motors Corporation, and it must have been at Mr. Durant's request.

Q. How long did you remain as president of the United Motors Corporation?

A. From May or June, 1916, to approximately November, [fol. 2404] 1918; approximately two and a half years.

Q. During that time, did United Motors acquire any additional properties?

A. They did acquire three additional properties which I brought in to United Motors group in that two and a half years in which I was president.

Q. What were those companies?

A. One was the Harrison Radiator Corporation, or what became of the Harrison Radiator Corporation, of Lockport, New York. I had had an important customer, when I was selling Hyatt roller bearings in Lockport. I became acquainted with Mr. Harrison, who was developing a new type of radiator core, and I was impressed with the efficiency of that core compared to competing cores on the market.

So, when I came into the United Motors, I was charged with developing the property, and I entered into negotiations with Mr. Harrison. To make a long story short, he

came into the United Motors Corporation as one of the units in the corporation. He came with the business, and continued the business as chief executive in charge of the enterprise.

Then, at that time, there was a very great demand for a service company, electrical appliances, starting and lighting and other electrical parts of the car, and I organized the United Motors Service Corporation, and that spread out throughout the United States in order to take care of the customers of the Dayton Engineering Laboratories Company, and the Remy Electric Company. They were selling electrical equipment to automobile manufacturers.

Q. Did you acquire any other company during this period?

A. Yes, there was an additional company taken in, the Klaxon Company of New Jersey. They manufactured a [fol. 2405] certain type of horn that was very fine. They came into the enterprise at that time.

As far as I recollect, those were the only three companies that came into the organization in those years I served as president of the United Motors Company.

Q. Were those acquisitions discussed with Mr. Durant?

A. I don't think so, Mr. Hurd. As best as my recollection is, it is that after Mr. Durant organized United Motors and turned it over to me, he had nothing more to do with it. He had other responsibilities and duties, and he left the whole thing to me, and I think I can say very factually that I was the one that operated the properties, and I was the one that initiated these three extra companies, the additional companies that came in in two and a half years in which I was president.

Q. Do you recall whether Mr. Durant was a stockholder in United Motors?

A. Yes, he was, Mr. Hurd. When it was organized, Mr. Durant and an associate of his, had a certain amount of common stock which they received as a bonus in consideration of their organizing efforts.

Q. Was that a substantial stock interest or not?

A. As I recollect it, Mr. Hurd, the United Motors had a million shares outstanding. I remember that because at that time that was the first corporation that ever issued a million shares of stock. It caused a good deal of comment

in financial circles, and according to my best recollection, Mr. Durant and the associate of his had a bonus of 200,000 shares.

Q. Were these acquisitions, the Harrison Radiator, the Klaxon Company, and United Motor Service discussed by [fol. 2406] you with any representative of the du Pont Company?

A. No, they were not, not to any extent at all, Mr. Hurd.

Q. When Dayton Engineering Laboratories Company of Dayton, Ohio, was taken into United Motors, at the beginning, did Mr. Kettering go with United Motors?

A. Well, Mr. Kettering continued as chief executive of Dayton Engineering Laboratories Company and to that extent he came into United Motors. He also had other interests in Dayton of substantial amount which came into General Motors later on, in the year 1919, if I recall correctly.

Q. But did not go into United?

A. Did not go into the original setup, no, Mr. Hurd.

Q. Now, going to the year 1918, I believe you said about November, 1918, was the termination of United Motors.

What happened then, at that time?

A. Mr. Raskob, who was at that time in charge of the Finance Committee of General Motors, entered into negotiations with me with a view to consolidating United Motors Corporation with General Motors Corporation.

Q. And what was the result of those negotiations?

A. After considerable discussion, United Motors Corporation became part of General Motors Corporation. In other words, General Motors Corporation made an offer for the stock of United Motors Corporation, an exchange, and that exchange became effective in the latter part of 1918. I don't remember just when the final—what the final date was, but in the latter part of 1918 United Motors Corporation property became a constituent part of General Motors Corporation.

Q. Do you recall what the basis was for the exchange of stock?

A. Yes, there was a million shares of stock outstanding, as I stated before, and the stockholders of United Motors [fol. 2407] Corporation were paid \$30.00 in preferred stock of General Motors, and \$10.00 in common stock.

Q. Was there any cash involved?

A. No, no cash was involved so far as I can recall.

Q. What position did you take with respect to whether you were willing to sell to General Motors?

A. Well, my thought was that it was to the interest of United Motors Corporation to consolidate with General Motors Corporation. The answer to your question really was answered when you asked me why I was willing to sell Hyatt to United Motors because I thought it was very advantageous for these accessory properties to be linked up with a large car producing corporation because it gave them the assurance of a substantial amount of business, and as I observed before, the accessory manufacturers were in a very vulnerable position because of the large amounts of their output required by a limited number of people, and if they lost that business it was practically irreplaceable.

Q. Had United Motors been a supplier of the Ford Motor Company?

A. As I have already testified, Hyatt was, New Departure was, and really, Mr. Hurd, I don't remember whether the others were or were not.

Q. Did Hyatt continue to be a supplier of Ford after United Motors was formed?

A. Yes, it did.

Q. You had known Mr. Raskob before these negotiations were opened?

A. No, I didn't know Mr. Raskob, never met him, and up to that time I had met nobody in the du Pont organization.

Q. Did you have any discussions with Mr. Durant regarding the sale of United Motors to General Motors Corporation?

A. I don't think I had to any extent, because I was under [fol. 2408] negotiations with Mr. Raskob. He handled it for General Motors Corporation.

Q. Do you know whether Mr. Durant was in favor of the acquisition or opposed to it?

A. Well, my impression was, and it was only an impression, that at the beginning he felt that perhaps the timing was not just right, but as it developed, as negotiations continued, I got the impression that he was very much in favor of it.

As a matter of fact, when he organized United Motors Corporation he must have had in mind the eventual consol-



identifying of United Motors with General Motors. He must have had in mind that it would be a desirable acquisition for General Motors to make.

Q. Was it customary for Mr. Durant to make investments in companies and later bring them into General Motors?

A. I don't know of any other instance in which he did that.

Q. Do you recall the Guardian Refrigerator?

A. I do.

Q. What happened in that situation?

A. Well, Mr. Durant had made a personal investment—the name of the company was The Guardian Refrigerator—or something like that—Company, and he brought the problem up to the Executive Committee, and if I recollect the figures, he said that he had made a personal investment of something like \$75,000.00, and he recommended that General Motors take it over because he had in mind—this was at the end of 1918—and he had in mind perhaps in view of the fact that it was a question at that time as to whether the government would permit the automobiles to be made after the 1st of January, he had in mind perhaps if we couldn't make automobiles we could make electric refrigerators.

Anyway, I know that was in his mind because frankly he [fol. 2409] didn't impress me as being very convincing, but anyway the corporation took over the investment and took over the properties which were at that time located in Detroit, Michigan.

Q. When General Motors acquired United Motors in 1918, what became of you? Where did you go?

A. I sort of went along with the properties, Mr. Hurd. I can't remember. There were no promises or commitments made, but I was president of United Motors, and I had been in the accessory business all my life, and United Motors was an accessory manufacturer, and I think I just went along with the property.

Q. Do you recall having any discussions with anyone regarding what you would do?

A. I can't recall having any discussions with anybody. I have tried to, but I think it was one of those things that just happened.

Q. What position did you take in General Motors at that time?

A. Well, after the acquisition was made, I became a member of the Executive Committee, and of course, that meant I had to be a director according to that, and I also became vice president at the end of the year.

My responsibilities as an executive of General Motors at that time were limited to the operations which I had at United Motors Corporation. I had no additional responsibilities, and up to that time I had no responsibilities whatsoever in the car operations. I was confined to United Motors properties.

Q. Did you remain in charge of the same management of the same properties after the acquisition?

A. I did.

Q. And you have been with General Motors ever since 1918?

A. Ever since.

[p. 2410] Q. Mr. Sloan, I am going to show you a document that has been marked Government's Exhibit No. 187, which purports to have a list of the positions that you have held in General Motors Corporation.

I would like to have you tell me whether or not that is a correct summary of the positions you have held?

A. I am sure that is correct, Mr. Hurd.

Q. You remained a vice-president until May of 1923?

A. That is correct.

Q. And you were president of General Motors from May, 1923 until May, 1937?

A. That is correct.

Q. Since that date, have you been Chairman of the Board of Directors of the General Motors Corporation?

A. Correct.

Q. During what period were you the chief executive officer of General Motors?

A. From May, 1923 until May of June, 1946.

Q. You were a member of the Executive Committee from the time you went with General Motors until it terminated in 1937?

A. Correct.

Q. And chairman of that committee during the period that you were president of the corporation?

A. Correct.

Q. You were also a member of the Finance Committee from 1922 until 1937?

A. Correct.

Q. And a member and chairman of the Policy Committee from 1937 to 1946?

A. Correct.

Q. Since that time you have been a member of the Financial Policy Committee?

A. Correct.

Mr. Hurd: If the Court please, in the book of Sloan Exhibits, I have interspersed the Government exhibits to which I am going to refer along with the new exhibits, in order that you might have them all available.

[fol. 2411] The Court: Yes, I have the book.

By Mr. Hurd:

Q. During the time that you were a vice-president of General Motors and Durant was president, that is, 1918 to 1920, the end of 1920?

A. That is correct.

Q. During that period, what, if any, contact did you have with Mr. Durant?

A. Well, I had a rather close contact with him, Mr. Hurd. I lived in New York and Mr. Durant's headquarters were in New York. I was with him going out on the trains back and forth to Detroit. On various operating trips he made, I went along with him. But I had no contact with him so far as his contact in turn with the other division managers was concerned.

Mr. Durant operated a personal, sort of a personal contact, between the various division managers and himself, and I had no contact at all with the car operation so far as his administration of them was concerned.

Q. You did not act as an assistant in any way to Mr. Durant?

A. In no way, shape or manner. As a matter of fact, Mr. Hurd, I was in sort of an isolated position.

Q. Did Mr. Durant have anyone that acted as an assistant to him?

A. Yes, he did, Mr. Hurd.

In 1919, the early part of 1919, Mr. Durant brought into the central organization as assistant to him Mr. Walter P. Chrysler. Mr. Chrysler was at that time general manager of the Buick Motor Division. He brought him into the central organization as an assistant.

In February of 1920, Mr. Chrysler retired from the corporation, and Mr. Durant at that time appointed a man called Zimmerschied as an assistant.

Q. I would say from my contact with General Motors before [fol. 2412] January 1st, 1921, those are the only two assistants or men or executives which I think you could call principal assistants of Mr. Durant.

Q. Was Mr. John Pratt with General Motors during any of this period?

A. Yes. I don't remember the date that Mr. Pratt came into the organization, but it must have been around 1919 because he was there about the same time I had left United Motors Corporation.

Q. What was his position?

A. He was sort of a general assistant to Mr. Durant, but not in the sense that I interpreted your first question.

Q. Will you tell us briefly what kind or type of organization Mr. Durant had?

A. That is a rather embarrassing question, Mr. Hurd, in a way. What I mean by that is that when I came into General Motors, at the end of 1918 and 1919 and began to learn and see how the operations were conducted, there was a great deal about it that I felt was not sound or desirable.

Therefore your question really involves a certain amount of criticism, which I hate to make because, after all, Mr. Durant created General Motors and was a pioneer and all that sort of thing.

Therefore to answer your question, I shall try to do so in an entirely constructive way as an analysis rather than as a criticism.

Mr. Durant was a man of charming personality. He was generous. He was always willing to do something for anybody that needed help.

He was the salesman-promoter type. He was not a scientific operator or a business administrator. He was rather [fol. 2413] unfortunate, I thought, in picking out the executives that served under him.

I think he was perhaps inclined to pick out executives who would agree with him rather than executives who disagreed with him.

I have already testified here that he brought into the central organization Mr. Walter P. Chrysler. After Mr. Chrysler came into the central organization in close association with Mr. Durant, they were always quarreling about one thing and another, and it finally got to the point where Mr. Durant really let Mr. Chrysler out of the organization.

In the course of time, Mr. Chrysler distinguished himself as one of the most able men that the automotive industry ever had.

Mr. Durant did not have an organization. He operated in a purely personal way between the different executives, particularly as between those, in charge of the car operations, and himself.

While it would not be sound to say that Mr. Durant did not believe in quality, yet he did not believe in the things that were necessary to assure the quality of the corporation's products. As to the quality of our products at that time, some were good and some were bad.

The quality of the Buick car was outstanding because it reflected the capacity of Mr. Chrysler. The quality of the other cars was quite below par, to the extent that when Mr. Durant retired from the corporation and Mr. Pierre du Pont became president, one of the first problems that arose was as to whether we would change the name of the Chevrolet and change the name of the Oakland and Olds because of the bad reputations they had.

I fought that and succeeded in convincing Mr. du Pont that you couldn't improve the quality by changing the name. [fol. 2414] If you improved the quality mechanically, you wouldn't have to change the name, and that policy was carried out.

While it would be unfair to say that Mr. Durant did not believe in accounting, yet it would be fair to say that he didn't understand or believe in the wonderful possibilities of accounting in terms of indicating what ought to be done in the administration of the business.

Also, the line of products that we had was very defective. General Motors had a line of cars, and of course it was in a highly competitive position. It seemed to me that the intelligent approach would be to have a car at every price



position, just the same as a general conducting a campaign wants to have an army at every point he is likely to be attacked.

We had too many cars in some places and no cars in other places.

One of the first things we did was to develop a line of products that met competition in the various positions in which competition was offered.

I could go on at great length, but I think that that probably will give you a general idea of my attitude toward the organization at the time I headed it, 1918, or rather, the beginning of 1919.

Q. What type of an engineering staff did Mr. Durant have?

A. The engineering staffs at that time, as now, were in the operations divisions. Buick had a good engineering staff. Cadillac had one. The others had very indifferent engineering staffs.

Outside of those two operations, Mr. Durant had a great deal to do with the products that were developed in the other operations, and they were inadequately engineered, and that [fol. 2415] was reflected in the fact that the quality was far from what it ought to be to meet competition.

Q. You referred to Mr. Chrysler having developed Buick. Had he been with Buick prior to becoming Durant's assistant?

A. Yes. Mr. Chrysler was brought into Buick by Mr. Nash, who was president of General Motors from 1912-1916.

In 1910 Buick was a very indifferent car. The management of Buick, up to the time Mr. Chrysler came, was very much below what it ought to have been. Mr. Chrysler put Buick on the map, so to speak, and it became in a very short time one of the outstanding cars in the industry—if not the outstanding car, certainly the outstanding car in that price position.

As I have testified before, Mr. Chrysler then went into the central organization as principal assistant to Mr. Durant.

Q. Did Mr. Durant have any procedure for pricing the product?

A. Well, no, he didn't have any well developed procedure.

The prices were largely determined at the initiative of the different managers.

I think perhaps I should answer that question by an illustration. I remember once at an Executive Committee meeting, one of the division managers said, "I see you raised your price \$150.00 the other day."

The other one said, "Yes," and he said, "I guess I will do the same thing tomorrow."

That was the sort of way the prices were made. They were made on an individual basis without any broad economic scheme of assuring over a period of time an adequate return on the capital employed such as we have developed since.

Q. What procedure did Mr. Durant have for controlling [fol. 2416] inventories?

A. It was entirely left to the discretion of the individual division managers. At that time there were no statistics, nothing to guide the division managers from a statistical point of view as to how inventory stood relative to the demands of inventory by products.

Q. Were there any procedures for determining what production ought to be?

A. That was entirely left to the discretion of the general managers of the operating divisions. We had no contact with the field at that time to determine what cars were sold in the field, as a means of determining what production ought to be. That was developed after Mr. Pierre du Pont became president.

Q. You have referred to the fact that Mr. Durant did not place as much emphasis on accounting as perhaps he should. Did you make any suggestion to him on the subject of accounting or auditing?

A. Well, I didn't have anything to do, Mr. Hurd, with the accounting end of the business. I have explained the limitations of my responsibility anyway.

But there was one incident that I think comes within your question, and that is this: I was surprised to find, when I joined General Motors, that Mr. Durant was issuing statements to the stockholders and the public without their being certified by outside public accountants.

I went into his office one day and protested against that.

I said I thought it wasn't fair to himself or to the directors to issue statements without a proper certification, and

he said, well, I agree with you, and he instructed me to get some certified public accountants, which I did.

I employed Haskins & Sells for the purpose, and they have been the certified public accountants of General Motors ever since.

[fol. 2417] That is the only incident, I think, and that was more of an accident than anything else.

Q. During the period that you were with General Motors under Mr. Durant, did you make any study of the possible corporate setup that you thought would be suitable for General Motors Corporation?

A. Well, I have always been interested, Mr. Hurd, in management and all its various phases, and seeing the need of that thing when I entered General Motors in 1920 I made a study of the organization or the corporation from two counts.

First, the philosophy of management as applied to an enterprise of that kind. Then I applied that philosophy to General Motors as a specific case.

I made quite an elaborate report to Mr. Durant, accompanying it with a chart, or what we call an organization chart, that exemplified as a chart the report that I had submitted to him in detail.

Q. What were the basic features of your proposed type or organization?

A. Well, the basic feature of it was to put the question that way, that we should operate with a decentralized system of management. I outlined in this report the responsibilities of the directors, the Executive Committee and the Finance Committee, also the responsibility of the chief executive, which, of course, was Mr. Durant.

I also outlined the grouping of the properties within the corporation that had common denominators, and I suggested that they be put under what I termed at that time, and we continued to call, group executives, in order to relieve the president from as many administrative responsibilities as possible.

[fol. 2418] I also developed a scheme which would serve the corporation from the point of view of investigating the problems which would lead to increased efficiency in the operations, also improvement in the management technique of the corporation.

Q. In what respect did you consider that your proposed plan would create a better operating corporation?

A. It certainly would.

Q. In what respect?

A. Oh. In all of the respects that I just mentioned. It outlined the whole philosophy of management, and showed how that philosophy would apply to General Motors.

Q. Was that different from the type of organization that Mr. Durant had?

A. Well, I do not think, Mr. Hurd, that he really had an organization. He was a personal operator with the different component parts with very little organized effort as such, except that he would validate proposals which required validation by the Executive Committee or Finance Committee, or the Board of Directors.

Q. What was the occasion at that time of making this study?

A. Simply because I was interested in the problem fundamentally, and more particularly because I saw the need of it as applied to General Motors.

Q. Were you requested to do this by Mr. Durant?

A. No, I did it entirely on my own initiative and on my own time.

Q. What did you do with it once you had finished it?

A. I went into Mr. Durant's office one day and talked it over with him, and presented the study with the accompanying chart.

Q. What did he do about it?

A. He never took any action on it, and I think perhaps [fol. 2419] at that time he was engrossed in matters which seemed to him more highly significant. Anyway, no action was taken on the study at that time.

Q. Mr. Sloan, I am going to show you a document marked GM Exhibit 1 for the purposes of identification, and ask you if that is a copy of the study to which you have been referring?

A. Yes, I am certain, Mr. Hurd, that this document is the study that I made in the spring or early summer of 1920, and recommended to Mr. Durant as a scheme of organization for General Motors.

Q. And it has attached to it charts that you presented to Mr. Durant?

A. That is correct.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 1.

The Court: Are there any objections?

Mr. Harsha: No objection.

The Court: It is received in evidence.

(Said document, so offered and received in evidence, was marked. General Motors Exhibit 1.)

Mr. Hurd: I would like to read a few portions, if the Court please, starting on the first full page of the report, which is marked Page 3.

"General Motors Corporation.

"Study of Organization.

"The object of this study is to suggest an organization for the General Motors Corporation which will definitely place the line of authority throughout its [fol. 2420] extensive operations as well as to co-ordinate each branch of its service, at the same time destroying none of the effectiveness with which its work has heretofore been conducted.

"The basis upon which this study has been made is founded upon two principles, which are stated as follows:

"1. The responsibility attached to the chief executive of each operation shall in no way be limited. Each such organization headed by its chief executive shall be complete in every necessary function and enable to exercise its full initiative and logical developments.

"2. Certain central organization functions are absolutely essential to the logical development and proper control of the Corporation's activities.

"Having established the above principles as fundamental, and it is believed that all interests within the Corporation agree as to such principles, the definite objects which it is hoped to attain by this study, are enumerated as follows:

"1. To definitely determine the functioning of the various divisions constituting the Corporation's activities, not only in relation to one another, but in relation to the central organization.



"2. To determine the status of the central organization and to coordinate the operation of that central organization with the Corporation as a whole to the end that it will perform its necessary and logical place.

[fols. 2421-2424] "3. To centralize the control of all the executive functions of the Corporation in the President as its chief executive officer.

"4. To limit as far as practical the number of executives reporting directly to the President, the object being to enable the President to better guide the broad policies of the Corporation without coming in contact with problems that may safely be entrusted to executives of less importance."

At that point, Mr. Sloan, I would like to ask you to what extent did you consider that Mr. Durant's operations were defective or embarrassed by having the executives report directly to him?

A. Practically everybody, Mr. Hurd, reported to him directly.

By Mr. Hurd:

Q. Were these merely information reports, or reports for the purpose of obtaining decisions?

A. Well, both. For instance, you take one of the operations like—take the Olds Division. Mr. VerLinden was general manager of the Olds Division, and everything pertaining to the Olds Division would be taken up with Mr. Durant direct, and Mr. Durant would make decisions involving the problems of the Olds Division and then it would be carried out by Mr. VerLinden as chief executive.

[fol. 2425] Mr. Sloan, did Mr. Durant have anything comparable to this general Advisory Staff to which you refer?

A. Only, Mr. Hurd, in a very indifferent way at that time. There was no well developed advisory staff in that time. We had certain activities, other than the operating divisions, but they might better be called "Service organizations" rather than "Advisory organizations."

Q. Was this Advisory Staff, that you contemplated, to have any authority over the division managers?

[fol. 2426] A. No, the Advisory Staff, I think, might be compared with the Army organization where you have line officers and advisory officers. An officer who is on the advisory staff only has authority over his own individual organization. He couldn't give any instructions or issue any directives to the operating divisions. That could only be done by a line officer.

Q. Turning to page 25, at the bottom of the page under the heading, "President's Personal Staff":

"In view of the large number of matters that must necessarily come directly under the supervision of the President of the Corporation, through the interchange of matters from the different staffs, it becomes absolutely essential that an organization be provided to relieve the President of detail matters so far as it is possible to do so. The President's personal staff is divided into two general divisions:—

"1. Personal Assistants to the President

"2. Appropriations Committee."

And dropping down to the heading, "Appropriations Committee," on the top of page 26:

"This Committee is to investigate, on behalf of the President, as to the propriety of extensions to the Corporation's units represented, by betterments to existing properties or additions through the acquisition of new properties as may be recommended by the executive in charge of any operating division or group of operations or by the Vice President in charge of the General Advisory Staff. The Appropriations Committee [fol. 2427] has the privilege of drawing on the General Advisory Staff for such technical information and assistance as in its judgment may be desirable, with a view to obtaining the benefit of all the resources and expert information within the Corporation organization as a whole, in order that the President may best determine the proper method of procedure in each individual case."

Mr. Sloan, up to this time, had there been an Appropriations Committee that investigated properties that were

being considered for acquisition or investigated for the desirability of extensions of existing properties?

A. That recommendation, Mr. Hurd, that you just read, grew out of the fact that at the time that I developed this study, we had an Appropriations Committee. Mr. Pratt was the Chairman of the Appropriations Committee, and in making the study I had to make certain compromises between what we had and what might be best to do in order to make it realistic from the standpoint of its being applied.

As a matter of fact, the Appropriations Committee as such passed out of the picture at the end of 1920, and the responsibility for recommending expansions in plant capacity, additional properties that might be taken up, were turned back to the particular operating divisions involved where they properly belonged, and a study would be made of the recommendations to be made by the operating divisions.

Then they would be passed on by the group executive to the president, and finalized by the Executive Committee and the Finance Committee, if the amount involved required Finance Committee Approval.

[fol. 2428] Q. Are you acquainted with the extent to which Durant investigated into properties before acquiring them or made a scientific investigation of the need for an extension of the existing properties?

A. Well, Mr. Hurd, I have already testified here that I was not in the car division atmosphere at all. My responsibilities were entirely limited to the properties that I have already mentioned. Therefore, I was looking from the out, in, rather than from the in, out, so to speak, and my impression was that the recommendations for expansion at that time were still developed by the operating car divisions as to their validity and desirability, and that the Appropriations Committee passed upon it, the Appropriations Committee, as it was at that time constituted, passed upon it from the standpoint of general terms, more particularly from the financial side involved than the justification of it as a proper expansion of the business.

I cannot testify—I cannot talk very authoritatively on that, because I was not part of that picture at all.

Q. Turning to the bottom of page 26, to the heading, "Advantages":

"Having outlined in a general way the functioning of the various staffs on the executive side and the relation of those staffs with the 'Major Control', the benefits to be obtained by the proposed organization may be enumerated as follows:

"1. The broad policies of the Corporation are formulated by two principal Committees; that is, the Financial and Executive Committees. These Committees constitute experts in their individual line—the Executive [fol. 2429] Committee in the detailed management of the Corporation's operations—the Finance Committee along lines of finance and accounting.

"2. The direct operation of the Corporation is centered in a single individual—the President of the Corporation. This must result in prompt and effective action on all important questions.

"3. The direct operation of each individual unit is in the direct control of the executive in charge of that unit. This executive is responsible for the successful conduct of his specific operation in all its activities, resulting in the full exercise of that executive's initiative and ability together with that of his organization.

"4. Operations of an allied nature are grouped together without lessening in any sense the initiative of the executive in charge of the individual operation. Through this plan the number of executives reporting to the President is very properly reduced.

"5. Proper co-ordination between the Executive Staff, General Advisory Staff, and General Finance and Accounting Staff is provided by Advisory Committees in which all these various staffs are represented. This must necessarily result in the development of each staff along lines that will be profitable to the other staffs with a constant inter-change of viewpoints between the staffs to the end that illogical development incurring unnecessary expense with corresponding ineffectiveness will be eliminated. This should result in the development of cooperation through



[fol. 2430] the Corporation as a whole increasing the morale and effectiveness."

Then there is attached the chart which shows that W. C. Durant is president.

Mr. Sloan, after you prepared this plan and submitted it to Mr. Durant without result, what position did you take regarding remaining with General Motors Corporation?

A. Well, in the beginning of 1920, more particularly after I had been with the corporation for a year and had a chance to evaluate all phases of it, I became quite concerned as to my own future in the business.

I have already testified here what my original effort, going back to the Hyatt Roller Bearing Manufacturing concern, had been. What I created there had gone into United Motors and then gone into General Motors, and I thought with the trend of things, that the investment in General Motors was to a certain extent uncertain.

I recognized that Mr. Durant had a very large interest in the business, perhaps the controlling interest. I knew nothing about his personal affairs. Due to the changes and the fact that I started with a substantial amount of stock as compared with cash, practically all I had was involved in my ownership of General Motors at that time.

I felt that I couldn't protect myself by liquidating any part of it because Mr. Durant, who wanted the responsibilities that he sort of assigned to himself, was participating in a good market for the stock, and he was buying it quite generously, and in view of the fact that my office was very close to his, or really next to his, it seemed to me to be very unethical for me to dispose of my stock when he was trying [fol. 2431] to support the market, and I became considerably concerned as to the future, to the extent that I got quite upset physically, and I decided that the best thing for me to do was to ask for a leave of absence, which I did, and which, of course, he very kindly consented to. I went to Europe for a month, and tried to think the matter over, and previous to going to Europe I had some negotiations with an important banking firm in New York with a view to retiring from General Motors and becoming a partner in this banking firm, dealing with their industrial operations, and when I came back from Europe at the end of August or



September, whenever it might be, I realized that conditions were moving forward very rapidly, and Mr. Durant was on vacation,—something that he had never taken before in all the history of General Motors—and in view of the fact that my commitments to this banking firm were not limited, so far as timing was concerned, I decided I would continue on with General Motors, to see what might happen, so to speak, and that was about my frame of mind in 1920, after I had had a chance to evaluate the future of the corporation under Mr. Durant's management.

Q. What was the name of this banking firm?

A. Lee Higginson & Company.

Q. Do you have any personal knowledge about the events in November of 1920 culminating in Mr. Durant's resignation?

A. No, Mr. Hurd. I know nothing about that whatsoever. I again testified to the fact that I was not in the top echelon of the executive management in General Motors. I was not in any of those discussions or problems.

As I remarked before, I was rather on the side dealing [fol. 2432] with the particular operations for which I was responsible. Incidentally, I got my information more through the underground route, as you might put it, more than I did by direct contact or having any responsibility with those problems at all.

Q. Upon Mr. Durant's resignation and retirement from General Motors, did you have any discussion with anyone as to who should succeed Durant as president of General Motors?

A. The only thing that I can recall, Mr. Hurd, was that I remember very definitely a discussion in the office at about that time. I know Mr. Pierre du Pont was present. Mr. Raskob was present. Of course, I was present myself. There were others present, but I can't recall just who was present, in addition to us three, when the subject of who was to succeed Mr. Durant came up.

I remember very strongly urging that the only one who would do the job that had to be done to restore the morale of the organization, to give the public, especially the banking interest, confidence in the future of the corporation—at that time the corporation was indebted to the banks something like \$80,000,000—of course, that doesn't seem like

very much I know now, but at that time it was an awful big amount—, I emphasized the fact that the only individual who could do all those things was Mr. Pierre du Pont. I realized that Mr. du Pont had no knowledge specifically of the motor car business; that his technical competence was in an entirely different line of activity. It was not in mechanical, but of course in the chemical industry.

Today that would be normally a very important consideration: In the situation that existed back in 1920 it was not important. The importance was to get in the presidency an [fol. 2433] outstanding figure who had the respect and confidence of all groups, and Mr. Pierre du Pont was the only one that I thought could measure up to that responsibility.

I strongly urged him taking the presidency. He finally did so, with the understanding that his term of office would be very definitely limited, and we accepted him as president on that basis.

Q. After Mr. Pierre du Pont became president of General Motors, what were generally your duties during the first six months?

A. Well, I became in a general way his principal assistant, Mr. Hurd. For the first six months after he became president, there were a good many shifts around. We were trying to find ourselves, and I think that his scheme of organization showed Mr. J. A. Haskell and myself as operating vice presidents, or something of that kind.

Mr. Haskell, we designated, as having executive responsibility over the operations, or producing organizations, and I had general supervision over the advisory staff.

I think in the first six months, most every month, there was some change. I can answer your question from the standpoint of July 1, 1921, which is about six months after Mr. Pierre du Pont became president; I then turned up, so to speak, as operating vice president, and I had charge of the whole corporation subject to the administration of Mr. Pierre du Pont as president.

Q. And that continued until you became president in 1923?

A. That is correct.

Q. What, if anything, did Mr. Pierre du Pont do regard-

ing the corporate organization of General Motors when he became president?

A. Well, the first thing that was done of significance was to reorganize the executive committee.

[fol. 2434] The executive committee, up to that time, had consisted of nine members. Mr. Durant, of course, was chairman. I was on that committee, as I stated before. That committee was practically liquidated and a new executive committee formed, consisting of Mr. Pierre du Pont as chairman; Mr. J. A. Haskell, Mr. John Raskob and myself. There were four on the new executive committee.

The membership of the old executive committee was continued under the name of operations committee. That was the principal change in the governing committee that took place shortly after Mr. du Pont became president.

Q. What was the position of the people who had been on the executive committee? What type of people had been on the executive committee before?

A. The car division managers. I can name them, if you wish.

Q. No.

A. The car division managers and Mr. J. A. Haskell. I was not a car division manager, but I was on the executive committee. I think that constitutes the committee, Mr. Hurd. If I remember correctly, there were nine of us on the committee, that is, the old executive committee, Mr. Hurd.

Q. Was the operations committee in existence under Durant?

A. No, it was not.

Q. When this operations committee was created under Mr. du Pont, what type of people were put on the operations committee?

A. The same people that were on the former executive committee, in terms of generalities.

Q. Was there anything else done by Mr. Pierre du Pont with respect to the organizational setup of General Motors?

A. Not with respect to the Board of Directors, or the finance committee. The executive committee we have already dealt with.

[fol. 2435] Q. Did you have any discussion with him re-

garding your proposed organization chart, and your study of the organization?

A. I don't recall whether I did or not, Mr. Hurd, but shortly after Mr. Pierre du Pont became president, I think very early in January, he issued a scheme of organization to the executives which was substantially equivalent to what I had recommended to Mr. Durant the previous spring or summer.

Q. Mr. Sloan, I am going to show you a document which is marked in evidence as Government's Exhibit 178, and ask you whether or not that is a communication and chart of organization that Mr. Pierre du Pont issued to which you have referred?

A. This is the scheme of organization that Mr. du Pont promulgated to the management. It carries the date of December 29, 1920. It embodies in general terms the recommendations that I have testified before that I submitted to Mr. Durant. This particular memoranda has been changed in some particulars in line with the changes that took place about which I have already testified.

Q. Changes in personnel?

A. Changes in personnel. The executive committee changes are indicated; the operations committee setup is also indicated on this chart, and naturally, that was not on the previous chart, because it was developed from the point of view of Mr. Durant as president.

Q. Did you have any discussions with Mr. Pierre du Pont regarding the change in the executive committee, and the creation of the operations committee?

A. I cannot recollect specifically that I did, Mr. Hurd, but you must remember that while I was Mr. du Pont's principal assistant, all I can say is that I must necessarily have had, even if I cannot specifically remember it.

[fol. 2436] Q. To what extent is the system of organization that was contained in the original chart that you prepared for Mr. Durant and is contained in Government's Exhibit 178 representative of the type of organization that General Motors has today?

A. There is very little change in basic principles. There has been quite a good deal of change in the shape of the organization chart. You might say there has been quite a number of changes in nomenclature, what we call things,



that developed over a period of thirty years, but the basic principles of the management to date that I have outlined in the original study that I made in the spring or early summer of 1920, still hold in General Motors today.

Q. During the two or two and a half years that Mr. Pierre du Pont was president, what, if anything was done with respect to the difficulties of the organization that you considered existed under Mr. Durant, for example, take the subject of inventory, controlling inventory; was there anything considered during this period to change the procedure with respect to that?

A. Well, your first question was rather in terms of generalities, then you dealt with the inventory, so I will deal with the inventory. The inventories were considered from the standpoint, from the statistical standpoint. One of the first things we did was to set up statistics which indicated, what we call in industry, the turn-over. Naturally, an efficient management carries inventory at the minimum amount, yet, in sufficient amount to supply the production schedules, whatever they may be. The ratio of one to the other is the best index we have of the correct status of inventory with respect to current production schedules. We established such an index, and that same [fol. 2437] index holds good today. Every month, even the directors get a report of the inventory turn-over that was established back shortly after Mr. Pierre du Pont became president.

Q. Do you recall who it was in the automotive industry that originated the idea of having inventory not accumulate in the automobile industry?

A. That was Mr. Henry Ford in the early days. He laid down a very sound rule, and that was that a piece of material should never stand still. It should always be moving. The whole scheme of production in the automotive industry today has a philosophy behind it that was established by Mr. Ford thirty or thirty-five years ago, that you should never have things pile up. You should always have them moving from one machine to the other.

Q. What type of studies or procedures were worked out in General Motors to provide for this control of inventory? You have referred to having some reports.

A. Well, that was the responsibility of the division execu-



tives. What I described before is more simply the index of what they accomplished, and if we found that the inventory ratio was declining, of course, it would be taken up and we could try to correct it.

That way we have a constant—we can go back in our records for thirty years and see what the inventory turnover has been every month over those whole thirty years.

Q. Were any procedures worked out to guide the corporation in purchasing in order to provide for this turnover of inventory?

A. I don't know that I get what you are driving at, Mr. Hurd.

Q. Do you recall the ten-day report?

A. Oh, you are talking now, Mr. Hurd, not about—I am sorry, I interpreted your question as being inventory [fol. 2438] within the plant itself. You are talking about inventory in the field?

Q. Yes.

A. Car inventory. That is quite different. Yes, steps were taken in that direction, something like this: We developed a system by which all General Motors dealers would report to their respective division the amount of inventory, car inventory I am talking about, unsold merchandise, which they had three times a month, on the 10th, on the 20th, and the end of the month.

With those records before us we had a prime index of what the production ought to be for the following three or four months.

In the automotive industry, you know—or perhaps you don't,—but anyway in the automotive industry, we have to change our models once a year. It is very necessary to keep a close contact between the cars in the field and production in order to be able to have a minimum number of cars in the field at the time that the model changes, otherwise both the corporation and the dealers are subject to very excessive losses because the new car depreciates the old car.

Although previous to this system the production schedule was laid down in a haphazard sort of way, these three reports per month from the dealers put it really on a scientific basis, and we now set our schedules in relation to the cars in the field based upon these reports, giving considera-

tion to the trend of consumer demand, whatever we think that may be.

Q. To what extent, if any, is there a relationship between the production schedule, that is your production schedules, and the purchase of material to go into the products?

[fol. 2439] A. Well, that of course comes within the jurisdiction of the operating division. Generally speaking, the operating division has authority to make contracts for material for current months and three months in addition. Beyond that, they can make commitments if, in their judgment, it is desirable, but they must report it so that it becomes a record of the corporation, beyond the four months.

Does that answer your question, Mr. Hurd?

Q. Was anything done during this period of Mr. Pierre du Pont's presidency regarding engineering and testing equipment procedures?

A. Well, in the first place, as I testified before in connection with the question you asked me respecting Mr. Durant's administration, a line of products was laid out that met competition at every point in the pyramid of price.

For instance, we had the Cadillac car, which was the General Motors representative in the high priced line. We had a car that might be termed a car for every purse and purpose. We organized our line of products along these lines so that we could meet competition, as I said before, like a general can meet an opposing army at all the various points.

That was the engineering development of the car product that took place shortly after Mr. Pierre became president.

Q. During this period of Mr. du Pont's presidency, did the corporation dispose of any properties?

A. Yes. At the time Mr. du Pont became president, there were two divisions making cars which did not conform to this plan which I have just mentioned. One was the Sheridan Motor Car division in, I think it was down in Indianapolis, and the other was the Scripps-Booth Division in [fol. 2440] Detroit. Those were liquidated because they didn't fit into the amended picture that I have just described.

Q. Do you recall what happened to the tractor business?

A. The tractor business was liquidated shortly after Mr. Pierre du Pont became president.

Q. Who took the initiative in working out this program for coordinating your products to have one for every purse and purpose, as you have said?

A. That was up to Mr. Pierre du Pont and myself. I think as the operating vice president that I probably took the initiative in that.

Q. Who developed the system of reports for your production schedules?

A. That I have already testified to?

Q. Yes.

A. I did. At that time that we are discussing, Mr. Hurd, the statistical information was very scarce, and one of the first things that I did was to make a contact with a concern called R. K. Polk Company, who, in turn, set up organizations in the different state capitals whereby we could learn, among other things, our cars that were being registered in the different states, so we knew at all times what percentage of the automobile business of our make would pass into the hands of the consumers.

Q. And is substantially that same system used today?

A. That system still continues today. We know every month just exactly what percentage of General Motors cars the American public bought as compared with our competition. That is the final measure of the strength of our cars as compared to competition.

Q. Who worked out the system of dealer reports to guide you in projecting your production?

A. That was my idea.

Q. The ten-day reports and those?

A. Yes.

[fol. 2441] Q. During the period of Mr. Pierre du Pont's presidency, were there any changes made in the managers of the car divisions that you recall?

A. Yes, there were quite a number of changes. Mr. Hohensee was head, general manager of the Chevrolet Motor Division, and he retired.

It might be said that shortly after Mr. Durant retired from General Motors, he organized a competing enterprise called Durant Motors, and Mr. Hohensee left General Motors and took charge of Durant Motors under Mr. Durant.

Mr. VerLinden at that time was general manager of the Oldsmotor Division. Mr. Collins was general manager of the Cadillac Division, and they both retired from the organization.

A question arose as to their ethics in drawing money from the corporation that was not properly authorized, and Mr. Pierre du Pont, who handled the matter entirely, —I had nothing to do with that—felt that it was entirely wrong, and those two division managers left the organization.

Mr. Fred Warner, who was the general manager of the Oakland Division, retired because he didn't feel that he fit into the new picture.

So of the nine men on the executive committee we were discussing before, four of them left the organization within six months after Mr. du Pont assumed the presidency.

Q. Who succeeded Mr. Hohensee as manager of the Chevrolet?

A. Mr. Hohensee was general manager of the Chevrolet Division, and was succeeded by Mr. Zimmerschied, whom I mentioned before as coming into the organization in 1920 as a principal assistant to Mr. Durant.

[fol. 2442] Q. Who succeeded Mr. Warner at Oakland?

A. Mr. Warner was succeeded by a man by the name of Hannum. Mr. Hannum had been general manager of one of our accessory divisions up at Saginaw, Michigan. He came into Oakland as a general manager of that division when Mr. Warner retired.

Q. He had been working under you?

A. Yes.

Q. Who succeeded Mr. Collins at Cadillac?

A. Mr. Collins was succeeded by Mr. H. H. Rice. Mr. Rice was at that time in the central organization. In fact, he was treasurer of General Motors. He moved over and became general manager of the Cadillac Motor Division.

Q. And who succeeded Mr. VerLinden at Olds?

A. Mr. VerLinden at Olds was succeeded by Mr. A. B. C. Hardy. Mr. Hardy at that time was in the central organization of General Motors.

Q. Do you recall who suggested these various new managers?

A. They were entirely my recommendations and my appointees. Nobody had anything to do with them whatsoever except myself.

Q. In selecting them, did you give any consideration to whether or not they were friendly to the du Pont Company?

A. I didn't know anything about it, and I was not interested in it. My sole objective was to get the best men I had available to fill the responsible positions.

Q. Turning now, Mr. Sloan, to the spring of 1923, when you became president of General Motors, will you tell us the circumstances under which that occurred?

A. Well, so far as I am concerned, Mr. Hurd, there weren't any circumstances. In other words, Mr. Pierre du Pont had just previous to my election as president [fol. 2443] accepted the presidency at an organization meeting following the meeting of the stockholders in 1923.

I knew, of course, that Mr. Pierre du Pont's service with the corporation was limited, but I thought, as you might say, we were set for another year.

At the next meeting of the Board, he presented his resignation and recommended to the Board that I be elected president. I may say that I was completely flabbergasted. I didn't know anything about it.

I heard afterward that Mr. Pierre had written a letter to all of the directors, making the recommendation, explaining that he was retiring. It is one of those things, the kind of secret that is hardly ever kept, but this one certainly was kept. I was completely uninformed.

Q. When you became president of the General Motors Corporation, what, if any, instructions did you receive from Mr. Pierre du Pont or any other du Pont representative?

A. I didn't receive any instructions from anybody, Mr. Hurd. I was completely on my own from that point on.

Q. Mr. Sloan, I show you a document that has been marked for identification as General Motors Exhibit No. 2. That is the first organization chart since your presidency.

I also show you a document marked General Motors Exhibit No. 3 for identification. Exhibit No. 2 is dated 1925. Exhibit No. 3 is dated April, 1927.

Will you tell us whether or not the organizational setup



in the 1927 chart is substantially the same as that in the 1925 chart?

A. Yes, it is. There might be some differences in personnel, but the scheme of management is about the same.

Mr. Hurd: If the Court please, I am going to ask Mr. [fol. 2444] Sloan to explain the 1927 chart from an organizational standpoint for the sole reason that it is more legible than the 1925 chart in view of the fact that the organizational setup is the same.

I offer in evidence General Motors Exhibit No. 2 and No. 3.

The Court: Is Exhibit No. 3 the one you are referring to?

Mr. Hurd: Exhibit No. 3 is the one I will have him explain, yes.

The Court: They are both received in evidence.

(Said documents, so offered and received in evidence, were marked Defendant General Motors Exhibits Nos. 2 and 3.)

Mr. Hurd: With the Court's permission, is it agreeable if I have Mr. Sloan go over here to the chart for the purpose of explaining the type of organization?

The Court: That is agreeable.

By Mr. Hurd:

Q. Mr. Sloan, will you take this pointer and explain to the Court the setup of General Motors from an organizational standpoint as shown by General Motors Exhibit No. 3, which is dated April, 1927?

Will you start at any place you please and end at any place you please?

A. Anyway I want?

Q. Yes.

A. All right.

Well, I think to make the problem, which looks rather [fol. 2445] complicated, clear to the Court, I would like to deal, if I may, first with the philosophy of our management technique, and then apply the philosophy to the chart that is before us.

I may say that this chart, although it is 1927, is typical

of the whole scheme of General Motors management technique from 1921 on to the present time.

General Motors operates on what is recognized as a decentralized system of management. By decentralization, I mean we believe in giving the responsibility with the maximum authority necessary to discharge the responsibility as far down in the echelon of authority as we possibly can.

The heart of our management technique is the operating divisions. That is where the business is conducted, and that is where the money is made or lost.

In our management technique, the general manager of an operating division has complete authority over that particular operation. He has authority and responsibility which, I think, might be said to be perhaps even greater or certainly as great as the chief executive of an independent corporation.

He lays down his own program of production. He buys his own materials. He hires his own people. He works out his own organization. He has complete charge of the distribution of his product. He makes contracts with the dealers throughout the country. All the functional activities of the operations are under the complete jurisdiction of the general managers of the divisions.

The rest of the scheme is more to help him to do a constructive piece of work and finalize the decisions that [fol. 2446] he has to make in relation to his particular part of the corporate responsibility.

We even carry that to the point that in the time we are discussing here, which is 1927 in this particular chart, we often discussed whether it would be a proper procedure and management technique to lay down a policy that nobody could reverse the judgment of the general manager of a division except the Executive Committee itself or the Board of Directors, and even the president of the corporation could not make a decision against the judgment of the general manager of a division.

That never was promulgated because it wasn't exactly practical. But I merely mention that to emphasize the importance of the general manager of the division in discharging his responsibility in that particular operation.

As chief executive of General Motors at times I have

deliberately let the general manager of a division adopt a policy which both my associates and myself thought was unsound and undesirable—in some cases it turned out that that was so—simply because we didn't want in any way to detract from the responsibility or authority or prerogatives of the operating division.

I often say in describing the management technique of General Motors that we operate almost on a free enterprise system within ourselves because now the general manager in turn delegates his responsibility to his particular executives that are concerned with that operation, and our philosophy is that they must also be given a broad responsibility and the authority to carry out that responsibility.

Without making the record too long, I just want to make the observation that February 1, 1941, when we [fol. 2447] were no longer permitted to make automobiles on account of the war, we were required to go into war production, in which we made an outstanding record, the reason that we were able to make such an outstanding record was because we had trained our people to take responsibility with the authority as a part of our management technique.

I mention that in some detail—perhaps too much detail—because that is the heart of the managing technique of the General Motors Corporation, and it would be impossible, according to my judgment, operating so closely with the properties for over thirty years—it would be impossible for us to maintain an efficient organization or efficient management in the scale we are now operating, unless we lived rigidly up to this scheme of decentralized management.

Now, passing from that description to this particular chart, we have the operation staff here, which is the part of the corporation which I have been discussing. This represents the different operating divisions at that time, and the executive, the chief executive in charge of those operations.

You will notice, in accordance with the scheme that I laid down in that study in 1920, we put certain of the groups together under what we call a group executive. For instance, here are all of the accessory divisions of General

Motors. At this time they were ~~grouped~~ together under Mr. John L. Pratt who was the vice president in charge.

Take our extensive export operation, they were under the direction of Mr. J. D. Mooney who was vice president in charge. The purpose of that was to give a more concentrated [fol. 2448] attention to certain individual operations, and to relieve the president of the responsibility of dealing with those operations individually. Naturally, the group executive, as we call it, would take up with the president, anything he wished, but the idea was to relieve the president of all of the problems that did not have to go to him directly.

These are the individual relations committees. The purpose of these committees was to get a greater degree of coordination between certain functional activities within the operations here, the producing operations. For instance, here is the general technical committee. At this time I was chairman of the General Technical Committee. The General Technical Committee consisted of the chief engineers of the car operations here, and also the chief engineers of certain accessory divisions. It was representative of the technical side of the business. This technical committee met every month, considered problems of general character which were applicable to all of the various car operations, and perhaps technical problems involving other activities within the corporation.

These committees were advisory, and more of a development nature. They had no authority whatsoever. If the general technical committee took a position on something, or made a recommendation, approved by the chief engineer, say, of a division who was on the committee, it would have to be passed on by the general manager, because the general manager had complete supervision. None of these committees had any line authority whatsoever.

When you pass on up the chart, you have the president, [fol. 2449] who was the chief executive officer. Then you have the Finance Committee and the Executive Committee.

The Executive Committee dealt with problems involving the administration of the business, the management of the business. The Finance Committee dealt with the problems more specifically of a financial character.

There is one committee here which perhaps I should men-



tion because it has a very important significance, and that is this, that in an operation as large as General Motors, having so many important operations, any new development or any important piece of policy has to be discussed and developed on as broad a base within the corporation as possible.

For instance, to illustrate that, take the Chevrolet Motor Division. If the Chevrolet Motor Division was lifted out of General Motors, it would probably be one of the biggest manufacturing corporations in the United States. The general manager of that division, of course, is a very important executive in General Motors, and it would be entirely unsound and undesirable to develop a policy unless he was a party to it, believed in it, and could support it, and in view of the fact that in the aggregate there are so many executives of that type that have to be consulted down through the years, we found it necessary to have an operations committee where plans and ideas and techniques are discussed in very great detail before they go up to the Executive Committee to be finalized or dealt with, if they require corporate action from a legal point of view.

I think, Mr. Hurd, that gives in general how we operate, and I may say again that the general scheme of the organization, although the shape of the chart has changed and [fol. 2450-2451] the nomenclature has changed, the broad principles have not changed.

[fol. 2452] ALFRED P. SLOAN, JR., witness on behalf of the Defendants, having been previously sworn, resumed the stand and testified further as follows:

By Mr. Hurd:

Q. Mr. Sloan, referring briefly to the General Motors organization that you were discussing at the end of the last session, will you tell us in general the type of matters that come before the Board of Directors of General Motors?

A. Well, in the case of General Motors, which is, of course, a large scale operation, the problems that are presented to the Board are something like this. In the first place, the Board has to deal with certain questions in order that they may be properly legalized, like dividend action and so forth. It also has to deal with other problems of



a legal nature. The Board receives monthly, as our meetings take place monthly, voluminous reports from the governing committees of the Board, presently called the Operations Policy Committee, and the Financial Policy Committee.

The Board may be required to take certain action with respect to those reports.

In all cases, the Board receives the report and incorporates it in the records of the Board.

Beyond that, the operations of the Board of Directors consist of examining the condition of the property or the business, as it moves forward from month to month, and to make any comment at the Board meeting that that examination might bring forth; to the effect that, an examination [fol. 2453] consists of a screen analysis of all the salient points in the operation of the business.

For instance, the Board receives a forecast of earnings; it receives an inventory turn-over; it receives car sales, and it deals with all the statistical, economic and business problems which are presented to the Board on a screen.

The Board sits around a table and sees the facts thus presented. The facts are explained by an economist, so far as they affect economic problems, and by a financial analyst so far as they affect their problems.

In addition to that, the Board receives verbal statements from the operating executives who are on the Board as to the condition of the business from the standpoint of the operations with which they are particularly familiar.

In addition to that, there comes before the Board, from time to time, executives of important operations who are not on the Board, but who may talk to the Board in order that the Board may be informed more in detail as to the nature of what is going on in that particular area of the corporation's activities.

The Board, generally speaking, does not initiate policies or programs, because, outside of the operating people who are on the Board, the operating executives, the Board hasn't sufficient contact with the details of an enormous business like this in order to exercise initiative.

It may exercise it as an incident, but not as a general program.

— Does the Board deal with engineering problems?

A. Not at all. The Board deals with no specific problems unless it should come before the Board incidentally. For instance, an executive talking to the Board may deal with the engineering phase of his particular operation, but it would be purely for informative purposes. The Board [fol. 2454] would take no action on it. It is only for the information of the Board as to the detail of the Board's operations.

Q. Does the Board deal with the subject of purchasing materials used by the division?

A. Not at all. That does not come to the Board in any way. That responsibility of purchasing is the responsibility of the division manager who has charge of that particular operation.

Q. You referred yesterday to the fact that, when Mr. Pierre du Pont became president, the division managers who had been on the Executive Committee were taken off of that Committee and put on the Operations Committee. What has been the practice of General Motors since that time as far as the personnel of the Executive Committee is concerned?

A. Well, generally speaking, the idea is that the members of the Executive Committee should not be division managers as such. The membership of the Executive Committee should be confined to the executives who are handling a group of properties, what we call group executives. That has been the practice from the time Mr. Pierre du Pont became president up to the present time.

As a matter of fact, in thirty odd years, there have been only two instances or exceptions to that rule.

The exceptions were Mr. Bassett, who was general manager of the Buick Division—he was a member of the Executive Committee for three or four years, and Mr. Knudsen, who was general manager of Chevrolet, who ultimately became president of the corporation—he was on the Executive Committee for a few years, but outside of those two exceptions, there have been no instances where managers of divisions have sat as members of the Executive Committee.

[fol. 2455] Q. You also referred yesterday to the fact that the divisions of General Motors were complete unto themselves, like separate corporations. I am now showing

[fol. 2476] having on that Committee a cross-section of interests."

Mr. Sloan, at this time, did you recommend any change in the committee system?

A. No, I didn't recommend any change at that time, Mr. Hurd.

Q. In the first part of this paragraph, you referred to the question of the so-called "du Pont influence." To what did you refer?

A. Well, it was my thinking, Mr. Hurd, when I became president of the corporation and had really great responsibility which, of course, developed enormously over the twenty-three years, as I say, as chief executive officer, that it would be encouraging and helpful to me if I had in the deliberations of the business at the top policy level, a representation of large stockholders like the du Ponts and others, as well.

We had, in General Motors down through the years in the operating organization, representation of stockholders' interests in quite a large way.

I myself have always been a large stockholder in the corporation, and I felt that, when important, significant problems of policy arose, if we had in contact with those problems people who had a stockholder interest and they felt it was all right, it would strengthen my conviction that it was the right thing to do.

It will be recalled and is in the record, that in around 1931, I think it was, Mr. Lamont du Pont came on the Executive Committee.

In 1934 he moved out of the Executive Committee. When he submitted his resignation and told me he wanted to retire, I rather rebelled against it because I felt, sitting on the Executive Committee and knowing what the problems [fol. 2477] were and how we were dealing with them, and having his support, it brought strength to the deliberations of the Committee and assurance to all the members on the part of an outstanding business executive outside of the stockholders' interest that we were doing the right thing.

That is what I meant when I referred in that letter to the "du Pont influence."

The Court: Court stands recessed for fifteen minutes.

(Recess taken.)

The Court: Proceed.

Mr. Hurd: If the Court please, I would like to call attention to General Motors Exhibit marked for identification as No. 7.

Q. Mr. Sloan, will you look at this document and tell me whether or not that is the letter that you wrote to Mr. Brown on or about December 28, 1944?

A. That is right, Mr. Hurd.

Q: At that time were you concerned about the overlapping of the activities of the Administration Committee and the Policy Committee?

A. Well, I was not particularly concerned with it.

As I testified just before the recess, I think that the problem was more the way the plan operated than the plan itself. I think probably we brought into the discussions of the Policy Committee problems that might better have been taken care of by the Administration Committee, but we recognized the fact the Policy Committee had the responsibility of finalizing certain problems that required finalization from a legal point of view.

[fol. 2478] The Administration Committee had no authority of that kind because it was not a member of the Board of Directors.

Mr. Hurd: If the Court please, I will offer in evidence General Motors Exhibit No. 7.

The Court: The exhibit is received.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 7.)

Mr. Hurd: I would like to read some portions, beginning with the first page.

This is a communication from Mr. Sloan to Donaldson Brown, dated December 28, 1944.

By Mr. Hurd:

Q. Mr. Sloan, at that time what was Mr. Brown's position with General Motors?

A. He was vice-chairman of the Board and he had complete supervision over finances.



Mr. Hurd: Starting with the first paragraph:

"As you have an opportunity to think over things, I would appreciate it if you would give some thought to the point that has recently come up with respect to the relationship of the Administration Committee to the Policy Committee to the Board of Directors. I think it is quite important.

"While you say, very properly, that Lammot and Walter—"

By Mr. Hurd:

Q. "Walter" refers to Mr. Carpenter?

A. That is right.

[fol. 2479] Mr. Hurd: (Reading)

"—have never been very enthusiastic about our present set-up, I think their objection centers around the problem that I am now laying before you. Walter feels that the Policy Committee is asked to pass on too many details of administering the business, concerning which they cannot possibly be familiar. I don't know exactly what Lammot's objection is. But I think that we ought to give some thought to the problem with the hope that we might present some modification at the Organization Meeting next May, providing we can work out something that would not limit the present scheme of things, with which I am very enthusiastic, and at the same time meet the viewpoint of the others. That ought to be done, if it can be done.

"As I said the other day when we were discussing the matter, it was my original concept that the Administration Committee would run the business. Everything pertaining to what we might call 'running the business' would be up to that Committee. And solely that Committee. Nothing would have to go beyond that Committee except matters of very broad policy. Of course, it is difficult to decide what is broad policy and what is not—it is a matter of interpretation—but I still think that we put too many things to the Policy Committee that involve administration and do not confine their work sufficiently to broad questions



of policy. When I speak of broad questions of policy I don't necessarily mean financial policies. If the concept of the old Finance Committee was to deal with the problem as to whether the money was available or [fol. 2480] not—and I think it was to a large extent—then I don't think in our set-up the responsibility goes far enough. I think the top Committee should deal with the broad questions of policy, financial and otherwise, but should not deal with the administration of policy. It is in that area that I think we should give some thought.

"I might illustrate by referring to the coming question of whether we should operate in Germany or not. I don't think it is a question for the Policy Committee to decide as to how the operation shall be set up—that involves the running of the business. I do think, however, it is up to the Policy Committee to decide whether in its judgment it is desirable for General Motors to conduct a manufacturing operation in Germany."

Mr. Sloan, was there any change made at this time?

A. No change was made at that time.

Q. What was it that precipitated or brought about the change that was ultimately made in 1946?

A. I think it was my retirement as chief executive officer, and Mr. Brown's retirement as chief financial officer, and the passing of that responsibility to Mr. Wilson and the concentration of the administration of the business in Detroit. All of this led—together with the greatly increased complication of the business as a result of the war, and expansion, especially on the operating side, I think all those things together were just incidental to my retirement, as I had really served the corporation in a top way for over twenty-six years, and brought about the discussion which led to the change in 1946.

[fol. 2481] Q. Who was it that made the recommendation of the change that was made in 1946?

A. I recommended the change, Mr. Hurd. Let me say it is very difficult, generally, in terms of generalization to answer a question of that kind. As I testified here before, we operate in General Motors on a democratic principle of discussion, eliminations, and final decisions, based on

what seems to be the agreed upon opinion of many executives who are interested in the problem, and dealing with the problem.

After that is gone over, it sometimes takes weeks and even months. It is almost impossible to point to one man to say he did it or he suggested it. Sometimes it is possible, but it is not always possible. In the changes in 1937, it was some individual. In 1946 it was my retirement, and the tremendous changes in the responsibilities of the corporation, raising important demands on the financial end as well as the operational end of it which led to the fact that it was better to divide the responsibilities.

I am inclined to think, Mr. Hurd, if we had continued up to now the 1937 setup, the demands on the non-operating people, that is, the financial policy demands, would have been such that they would have had to at least give a great deal more time than they had been giving.

Q. With whom did you discuss the proposed change in 1946?

A. We discussed it with everybody, Mr. Hurd. It was always our practice. We never did anything in General Motors unless we took it up with all the people. If it is important, it goes through endless discussions with the directors, and particularly with the operating people, in order to be sure that whatever was decided, everybody was in harmony. We operate in General Motors as a team, and not as an autocracy.

[fol. 2482] Q. Now, I show you a document which has been marked General Motors Exhibit 8 for identification, and ask you if that reflects the change made in 1946?

A. That is correct, Mr. Hurd. This is—

Q. I do not want you to explain it yet.

If the Court please, I want to offer in evidence General Motors Exhibit 8.

The Court: It is received in evidence.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 8.)

By Mr. Hurd:

Q. With the Court's permission, I should like to have you step to the easel and point out what the changes were that were agreed upon at that time?

2

A. The changes contemplated in the 1946 organizational setup that we just discussed are limited to the policy formation phase of the enterprise in this way.

The Board of Directors, of course, was practically the same. Instead of having a single policy committee as exemplified by the previous chart, we had the Operations Policy Committee and the Financial Policy Committee. The Operations Policy Committee deals with the Administration Committee. Recommendations came up to the Operations Policy Committee from the Administration Committee. You will note that Administration Committee consists of quite a considerable number of executives.

I have already testified here that it has been thought unwise to have division managers on that type of non-governing committee. We felt that the divisional manager's interests are centralized in his particular operation, [fol. 2483] and that the man who is dealing with the particular problems of corporate policy should be a man who has a responsibility from the point of view of this one specific operation.

On the other hand, you cannot develop a policy except as a team.

We always try to operate General Motors as a team, and we have a thorough discussion among the important executives, especially those that manage the large car operations.

For instance, I think I testified yesterday that the general manager of our Chevrolet Division has a tremendous responsibility upon himself.

I think I said and it is true, if we lifted Chevrolet out of General Motors, and set it up separately, it would rank as probably one of the largest manufacturing operations in the United States.

Now, you cannot legislate for a man who has that responsibility. He has got to be a part of the legislation, if the thing is going to be a success.

That is true because the members of that Committee are members of the Board of Directors. That is necessary under Delaware law.

Q. Has the organization within the divisions changed during this period?

A. No. The organization within the divisions, I cannot say hasn't changed because change is going on all the time,

but so far as the general principle of the Administration Committee is concerned, anything happening in the organization as a whole that we have described here has no bearing whatsoever as to what might happen in an operating division under the control of its respective general manager.

Q. I show you a document marked General Motors Exhibit No. 9 for identification, which is the organization chart of Chevrolet Motor Division in 1946.

Are the other divisions organized in a similar fashion?

A. In a similar way. In other words, an operating division or organization would divide itself into the four functional activities shown on this chart, No. 9; that is, engineering, manufacturing, sales and financial.

When you get below that, there would be a great difference depending upon the character of the operation, because they differ very completely in most every way.

Mr. Hurd: I offer in evidence, if the Court please, General Motors Exhibit No. 9.

The Court: It is received in evidence.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 9.)

By Mr. Hurd:

Q. Mr. Sloan, I now wish to turn to a new subject; the matter of selection of directors.

What procedure is followed in General Motors Corporation with respect to the initial addition of a member to the Board of Directors?

A. What do you mean by "neutral"?

Q. An "initial."

A. What?

Q. What procedure is followed in adding a new member to the Board?

A. Oh, Well, that depends, Mr. Hurd, upon the circumstances.

For instance, as presently constituted, our Board comprises 34 members. Twelve of those members are members of the Operations Policy Committee which is shown on that previous chart.

[fol. 2485] As I have testified here, those men have to be

on the Board of Directors to deal with their particular responsibilities, which is a delegation of the authority of the Board of Directors. Those men come on the Board in this way: The president of the corporation, in discussing the problem with me, brings up the point that he is making certain changes in the administration of the business, and that he wants to put on the Operations Policy Committee a certain individual who is moved up, or because of certain changes that have taken place, and I know the circumstances; so at the next meeting of the Board, I recommend that that individual be made a member of the Board of Directors and made a member of the Operations Policy Committee.

I don't discuss that with anybody particularly except the president who brings the recommendations to me because that is a routine matter, and that individual has to be on the Board.

That is the administration phase of the business.

So far as representatives on the Board who are designated as representing the du Pont interests, they themselves make those nominations, and naturally they are generally accepted by the Board as being desirable.

In the case presently, in addition to the twelve members on the Board, because of their responsibility on the Operations Policy Committee, there are five representatives of the du Pont group. There are eleven members of the Board who are retired executives of the corporation, who went on the Board because they were concerned with the administration or otherwise.

In addition to this, there are six outside directors. I mean by that, directors that are not concerned with management and are outside the du Pont group.

[fol. 2486] Practically all of the discussion regarding additions to the members of the Board or changes in the Board, as occasion develops, center around those six individuals, which is the number presently in that particular group.

Back in 1919 and 1920, we had a very considerable number of what I call outside directors. That was before my time, and I don't know just how they were appointed. I think that the majority of them or practically all of them came on the Board at the time that the corporation made a large issue of common stock, which was in 1919.



Through changes, death, elimination and so forth, those outside directors finally got down to three, and one, Mr. Douglas, was Ambassador to Great Britain, and he had a leave of absence for some time, so it really got down to two.

I felt that it was undesirable to have the Board limited, as it was, and that we should have on our Board representation of outstanding citizens, businessmen, scientists, men who were recognized as being successful people; that was particularly essential because, on our governing committees, we certainly have to have people who are not concerned with management, in order that they may qualify.

So in the '40's, I gave a certain amount of consideration to developing, to expanding our Board in a moderate way by taking on directors, men who had become directors along the line I have just indicated, and lists were developed and considered, and like everything else in General Motors, we developed along after discussing the problem with all those who were interested.

Finally, we presently arrived with six outside directors [fol. 2487] who are men of importance and fully measure up to the standard that I think we should have in General Motors.

Q. When a new director is added, is he elected in the first instance by the Board?

A. In nearly all cases that is true, Mr. Hurd.

The Board has the power to change the number of the Board, to alter the by-laws to change the number of the Board as it may resolve to do, and when a change is made requiring an extra director, the by-laws are changed, the Board elects the director, and then that director is recommended to the stockholders at the next annual meeting.

That is the usual procedure in General Motors, Mr. Hurd.

Q. Mr. Sloan, I now hand you a document marked for identification as General Motors Exhibit No. 10.

Referring to the first page and the first column, which is headed "Management," will you run through the list of names, and tell us in what position in General Motors they were active or had been active as of that date?

A. Mr. Day was manager of the General Motors Truck Division.

Mr. Mott was in the general organization as an executive.

Mr. McLaughlin was general manager of the General Motors operations in Canada.

At this time—I assume this is the beginning—I was president of the corporation, if it is before—

Q. That is May 10, 1923.

A. Yes, that is right.

Mr. Bassett was general manager of the Buick Division.

Mr. Smith was legal advisor in charge of our legal affairs.

Mr. Brown was vice-president in charge of finance.

Mr. Kettering was vice-president in charge of research.

Mr. Swayne was a vice-president at large on the operating side.

[fol. 2488] Mr. Hannum was general manager of the Oakland Division.

Mr. Hardy was general manager of the Olds Division.

Mr. Rice was general manager of the Cadillac Division.

Mr. Pratt was vice-president at large and principal assistant to myself.

Mr. Page was general manager of the New Departure Manufacturing Company.

Mr. Mooney was vice-president in charge of overseas operations.

Mr. Fisher was a director and member of the Executive Committee and an executive dealing with special assignments.

Q. Had any of the men on that list, at any time, been employed by the du Pont Company?

A. Not to any extent except Mr. Pratt. Mr. Pratt had come to the company four or five years before from the du Pont organization.

Q. What about Mr. Brown?

A. Mr. Brown, too. I thought that was a matter of record here, Mr. Hurd.

Q. Now, referring to the second column, headed "du Pont," will you tell us the origin of those people as directors?

A. Those were all du Pont representatives, Mr. Hurd. I can't define the responsibilities they had in the du Pont business. I am not familiar enough with that company to do so.

Q. They were nominated by the du Pont Company?

A. Nominees of du Pont, that is correct, Mr. Hurd.

Q. Now, refer to the third column, headed "Other."

Do you recall who Mr. Bishop was.

A. Mr. Bishop was president of the First National Bank of Flint, Michigan.

Q. Do you know at whose suggestion he had been made a [fol. 2489] director?

A. He was a director from way back because, you see, you might say General Motors was almost born in Flint, and Mr. Bishop was a close friend of Mr. Durant. I think—I wouldn't be surprised to find but what he was a director at the time General Motors Company was organized back in 1908.

Q. Who was Mr. Kaufman?

A. Mr. Kaufman was president of the Chatham Phoenix National Bank of New York City.

Q. Do you know the occasion for his coming on the Board?

A. I don't know. That was before my time, but Mr. Kaufman was identified with General Motors and associated with Mr. Durant back for some years.

He was the one with Mr. Durant, Mr. Hurd, that organized United Motors Corporation.

Q. Back in 1916?

A. Back in 1916, that is correct, Mr. Hurd.

Q. Who was Mr. McGowan?

A. Sir Harry McGowan was an Englishman, as his name indicates. He came on the Board because he was Chairman of Imperial Chemicals in England, the largest industrial organization in England, and he came in as a large stockholder in 1919, when General Motors issued a considerable amount of common stock to finance its expanding organization and expanding operations.

Q. Who was Mr. McMaster?

A. Mr. McMaster came in under the same conditions except he was either president or chairman of Canadian Explosives, which had a large interest in General Motors at the time of the stock issue in 1919.

Q. Who was Mr. Baker?

A. Mr. Baker was president of the First National Bank of New York City.

[fol. 2490] Q. Do you recall the circumstances under which he came on the Board?

A. I don't know. That was before my time, and I think it was due to the financial operations of 1919. I am not too certain about that.

Q. Was Mr. Baker a stockholder in General Motors?

A. A large stockholder, Mr. Hurd.

Q. Who was Mr. Prosser?

A. Mr. Prosser was Chairman of the Bankers Trust Company.

Q. And Mr. Stettinius?

A. Mr. Stettinius was the partner in the then J. P. Morgan & Company.

Q. Do you recall when Prosser and Stettinius came on the Board?

A. No, I don't, Mr. Hurd.

Q. Who is Mr. Woodin?

A. Mr. Woodin was chairman of the American Car & Foundry Company. He subsequently became Secretary of the Treasury when Mr. Roosevelt was first made president of the United States.

Q. Mr. Wooley?

A. Mr. Wooley was Chairman of the American Radiator Corporation.

Q. And Mr. Young?

A. Mr. Young was Chairman of the General Electric Company.

Q. Now, will you refer to the second page of that document, under the heading "December 31, 1942."

Referring to the first column headed "Management," drop down to where there is an asterisk opposite L. P. Fisher.

Will you tell us what Fisher that is, and what his position was?

A. That is L. P. Fisher—Lawrence as we called him. He is one of the six Fisher brothers that established the Fisher Body Company in which the corporation took a sixty per- [fol. 2491] cent interest in 1919. In the years that passed, he had retired from Fisher Body Corporation as an executive and came into General Motors on special assignment as an assistant to me.

Q. Who was Mr. Bradley?

A. Mr. Bradley was a vice president on the financial side. Previous to that, he had been next to Mr. Brown in charge of finance. He came on the Board in the years that had passed since the last list that you showed me.

Q. And Mr. Grant?

A. Mr. Grant had started in Dayton; and, when I became president, I transferred him to the Chevrolet Motor Company as the general sales executive.

He made an outstanding record there, and in the development of the corporation from the standpoint of coordination in distribution, Mr. Grant was brought into the central organization; he was made a director.

Q. Mr. Hunt?

A. Mr. Hunt was chief engineer of the Chevrolet Motor Division, and in order to strengthen the advisory staff—he was an outstanding engineering technician—he was brought into the central organization, and another executive appointed to succeed him in Chevrolet, and he was made a director in consequence of that change.

Q. Mr. Schumann?

A. Mr. John Schumann was president of the General Motors Acceptance Corporation.

Q. Mr. Wilson?

A. Mr. Wilson was brought in because he was an outstanding executive, and was brought in to strengthen the general organization of the corporation.

He was formerly general manager of the Remy Electric Division of Anderson, Indiana.

Q. That is Mr. C. E. Wilson, is it?

A. Mr. C. E. Wilson, yes.

[fol. 2492] Q. Mr. Coyle?

A. Mr. Coyle was general manager of the Chevrolet Division, and he was transferred to the central organization and came to the Board of Directors in consequence of that.

Q. Mr. Curtice?

A. Mr. Curtice was general manager of the Buick, and came into the central organization when he was transferred from Buick and a new division manager appointed.

Q. What is his present position?

A. He is president of the corporation.

Q. Mr. Donner?

A. Mr. Donner was next to Mr. Bradley on the financial



side of the business, and he was made director in consequence of that.

Q. Who was Mr. E. F. Fisher?

A. Mr. E. F. Fisher was an executive in the Fisher Body Division. He was a manufacturing executive.

Q. Are any of these directors who appear under this "Management" column as directors in 1942, and who were not directors in 1923, had any of them at any time been connected with the du Pont Company?

A. No relationship whatsoever, no connection whatsoever, so far as I am informed.

Q. At whose suggestion were these men who are marked with an asterisk under this first column added to the Board?

A. Why was it?

Q. Who suggested it?

A. I did.

Q. Turning to the second column, headed "du Pont," there are two names at the bottom, Carpenter and H. B. du Pont, that appear on this list which were not on the 1923 list.

[fol. 2493] Who suggested their addition?

A. Those were nominees of du Pont, and represented their interest in General Motors.

Q. Under the third column "Others," you have only three names. What had happened to the other people that had been on the 1923 list?

A. Do you want me to go over each one?

Q. No—

A. Just natural elimination.

Mr. Stettinius had died. Mr. Baker had died. Mr. Woodin had died.

Mr. Wooley retired from business.

Mr. Young resigned.

Mr. Kaufman resigned.

Mr. McMaster resigned. I think that covers the point.

Q. There is one new one added to this list of 1942, Mr. Whitney. Who is he?

A. Mr. Whitney was president of J. P. Morgan & Company. He came on the Board many, many years ago.

Q. Do you recall the circumstances?

A. No, I do not, Mr. Hurd. I do not remember the circumstances.

Q. Now, turning to page 3 on this document, under date of June 6th, 1949, and referring to the first column headed "Management," will you explain who the last seven people are, those marked with an asterisk?

A. Mr. Archer was top executive in the Fisher Body Division. He came on the Board because he became a member of the Operations Policy Committee.

Mr. E. F. Johnson came on the Board. He was a retired executive.

Q. What had been his position in General Motors?

A. His position had been—he had been retired since [fol. 2494] sometime in the 30's. He had been in the accessory operations, if my recollection is correct.

Mr. Evans became a member of the Operations Policy Committee, hence on the Board. Mr. Evans had started in the overseas operation. He was two years managing director of Adam Opel, a German operation. He was brought into the central operation and made a member of the Operations Policy Committee; hence, came on the Board.

Do you want me to go down the list?

Q. Yes, starting with Mr. Goad.

A. Mr. Goad came on the Board because he was a member of the Operations Policy Committee.

This also applies to Mr. Kunkle, Mr. Burke and Mr. Godfrey. Practically all the men you have asked me about came on the Board through the operations or administrative route.

Q. Had Mr. E. F. Johnson at one time been an employee of the du Pont Company?

A. He had.

Q. Do you recall how long ago that had been?

A. It was a long time ago, Mr. Hurd. He was out of General Motors from the middle of the 30's until the war started, and he came into General Motors on war service.

He was only with us three or four years. When the war was over, he retired. He continues on the Board, but he is no longer in administration.

Q. Was he employed by General Motors under ~~Mr.~~ Durant?

A. I cannot answer that question. I am sorry, Mr. Hurd.

Q. Do you recall whether he was there when you became president?

A. Yes, sir, he was.

[fol. 2495] Q. Had he been employed by the du Pont—

A. May I go back to correct my answer?

Q. Sure.

A. First you asked me a question. As I think about it, I think the answer that he was employed under Mr. Durant is correct, because I am quite certain that I testified correctly yesterday that Mr. Chrysler came in as assistant to Mr. Durant around 1919, and Mr. E. F. Johnson was assistant to Mr. Chrysler, so I am quite certain he came in. I may have to be corrected on that, but that is my recollection, Mr. Hurd.

Q. Was he ever employed by the du Pont Company up to that time?

A. Yes.

Q. Had any of the other new men on the management list ever been connected with the du Pont Company in any way?

A. Not that I know of, and I am sure I am informed on that point.

Q. Now, turning to the second column, headed "duPont," Mr. Brown appears there as the first one. Is that the same Donaldson Brown who was formerly listed as a management director?

A. That is correct. In my distribution of the Board as presently existing, I put Mr. Brown on in my distribution as representative of the company. He was with General Motors practically all his life.

Q. At this time, was he still active in General Motors?

A. No, except as a member of the Board and a member of the Financial Policy Committee. He had no administrative responsibilities whatever.

Q. When did he retire?

A. 1946.

[fol. 2496] Q. Mr. Echols and Mr. Copeland listed under the heading of "du Pont"; who named them?

you a document which is marked General Motors Exhibit No. 4 for identification, which is a chart showing the organization of Chevrolet as of 1925, which is on the easel, and is an enlargement of that chart.

Is that typical of the organization of the divisions of General Motors?

A. I would say it is entirely so, Mr. Hurd.

You see, this shows that Mr. Knudsen was head of the operation. He is down there as president. He really would have been better termed as general manager. That is, he has four executives report to him dealing with the engineering, manufacturing, sales and finances. I would say that is a typical distribution of the responsibilities of the divisional executives under the general manager.

It undoubtedly is true, if we had before us the organization chart of the other divisions, you would find a great difference below those four general executives dealing with those four functional activities. So far as the general principle is concerned, you would find it to be exactly the same.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 4.

Mr. Harsha: No objection.

The Court: It is received in evidence.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 4.)

By Mr. Hurd:

Q. Mr. Sloan, I would now like to turn to the year 1937. [fol. 2456]. Will you tell us about the changes in the organizational setup of General Motors that occurred in that year?

A. Perhaps, Mr. Hurd, to make it clear to the Court, I should tell first what caused the change, if I may, then deal with the changes themselves.

In the ten years that elapsed between the chart we were looking at yesterday, 1927, and the chart you are now asking me to deal with, 1937, important influences entered into the industry which caused or suggested certain quite important changes in the organization setup.

In the first place, going back to 1927, two or three years minus or plus that year, to illustrate the point, it was my

practice to go up to the divisions, say to the Buick Division in Flint, to illustrate, and I would go over all the problems of that particular division, particularly the engineering program, and of course incidentally the distribution program and others, and everything was there, so to speak, so far as that particular divisional operation was concerned.

When we pass to 1937, the conditions were entirely different. Things had happened in the industry that required a far greater coordination between the different divisions than was necessary or desirable in 1927.

The important advances product-wise and otherwise in the low priced field—that is the cars like the Chevrolet, Ford, and so forth had increased their proportion of the business of the industry, and it had an important effect on the high priced cars to the extent that it was necessary to push the price of the high-priced cars down, and it narrowed the spread of price between one line of cars and another.

For that reason a much more important degree of co-[fol. 2457] ordination became necessary. In other words, if, in 1937, I had gone up to Buick as I did, say in 1927, I couldn't have dealt with it in that way, because I would have had to consider the impact of the program on the other car operations.

That required a different system of administration whereby the problems of the different divisions could be brought together and discussed, one in relation to the other.

That in principle brought up the desirability of a somewhat different setup in 1937.

In addition to that, I had in mind this: To make a business successful and virile and progressive, and all that sort of thing, the executives not only have to do with the daily problem, but they have got to give consideration to ways and means of improving the technique of the business in all its functional activities, engineering, distribution, and so forth, and it is very difficult for executives who are pressed to the limit on operating problems to give consideration to an advance in technique. It is something added, and it is difficult for them to get the time to do it.

So my contention in 1937 was to develop a scheme of organization to bring the employees on the advisory staff, which is on a functional basis like engineering, production



and so forth, in line with the general executives of the corporation, and consider ways and means whereby our technique could be improved through research and study so essential to the progress that we must make to increase our efficiency and so forth.

That was a very important consideration in the 1937 setup.

There was another factor that entered into my feeling that a change was desirable and that is this:

[fol. 2458] An examination of the records of the Finance Committee over the period some years prior to 1937 indicated that most of the problems that they had to deal with were, although financial in nature, operating problems as well.

For instance, in 1928 we made a very large investment in Germany, with a view to expanding our overseas operations. That was both a financial problem and it was an operating problem, and I thought it would improve our efficiency if we brought those two together so that the people who were passing on the financial side of it would have a better understanding of the desirability of it from the operating point of view.

So I recommended, and after a very great amount of discussion my recommendation was accepted, that instead of having the Finance Committee, which we had up to 1937, and Executive Committee, which dealt with the operating problems, that we would have one committee which would be called the Policy Committee, and which would have complete authority to deal with the broad policy questions that came up to the corporation.

Those were the conditions that made me feel that the change in 1937 was desirable and caused me to recommend it to the Board, and as I said before, it was finally adopted.

Q. Did you continue on as president at that point?

A. No, I did not. Mr. Knudsen became president at that time. I moved up to the chairmanship of the Board. Mr. Lamot du Pont, who had been chairman of the Board, retired; but, in corporate organization, Mr. Hurd, it is not so much what your title is as what your responsibilities are, and I continued for the next nine years as chief executive officer of the corporation.

In other words, notwithstanding Mr. Knudsen's becoming

[fol. 2459] president, I had charge of all of the operations of the corporation up to 1946.

Q. Had Mr. Pierre du Pont been chief executive officer while he was chairman of the Board?

A. No, he had not, not at the time he was chairman of the Board, Mr. Hurd. He was chief executive officer when he was president of the corporation from November, 1920 to May, 1923.

Q. And had Lamont du Pont been chief executive officer while he was chairman of the Board?

A. He had never been chief executive officer. He was chairman of the Board without executive responsibilities.

Q. So that in 1937 the chairman of the Board became the chief executive officer for the first time?

A. That is correct.

Q. This change in 1937 to a one committee system was initiated by whom?

A. By myself. It was entirely my idea from beginning to end, although it had the complete support of my associates in the management of General Motors.

Q. To whom are you referring? Are you referring to the representatives of the du Pont Company?

A. No, I am talking about the people who were operating the business.

Q. What position did the representatives of the du Pont Company take regarding this change?

A. Well, as in all cases, when a change of some significance, such as this, takes place, it has always been my practice to discuss it at great length with everybody. General Motors has never been operated as an autocracy; it has been operated as a democracy, and any problem of any consequence that I had to deal with as chief executive officer of [fol. 2560] the corporation, I have never taken a position on or made a recommendation on until I was satisfied that it had the support of all of those who were interested, and particularly those who were concerned with the administration of the policy, whatever it might be.

Q. What position did Mr. Lamont du Pont take regarding this, if you recall?

A. I think that after the matter was thoroughly discussed with Mr. Lamont du Pont and the others, they came to an agreement that it was a desirable thing to do. I think that,

when the proposition was originally put to them, they were rather negative to it because it involved quite a new approach to corporate management.

When you try to do something that is different, it takes a certain amount of time to get people reconciled to it, and this was a case in point.

Q. Do you recall that Mr. Lammot du Pont suggested an alternative plan?

A. I do, Mr. Hurd: When changes of this kind take place, they are discussed over a period of weeks and perhaps months, and you get all kinds of plans and suggestions. That is what the discussion is for.

Out of those discussions and suggestions and elimination and so forth, you finally reduce everything to a common denominator, and an agreement is made that after all has been said and done, that this is the best way to meet the problem, and that way is finally adopted by the corporation. It is a question of evolution and development.

Q. Do you recall what the alternative plan was that Mr. Lammot du Pont suggested?

A. I think—I am not too certain—but I think probably I am pretty close to it. He suggested reducing the membership of the Board and passing on to the Board certain specific responsibilities that before that time had been lodged with the two governing committees.

As I recollect, after he had made the suggestion, I think he said that nobody was for it and he didn't know as he was for it himself. Anyway, it got washed out through the process of evolution and development.

Q. Mr. Sloan, I will show you a document in evidence as Government Exhibit No. 194, which is a letter from Mr. Lammot du Pont to you, dated April 6, 1937.

Will you look at that and tell us whether, in substance, that sets forth Mr. Lammot du Pont's alternative plan?

A. This appears, Mr. Hurd, to be a letter he wrote me outlining the alternative plan to which you referred, but this plan was not adopted, Mr. Hurd:

Mr. Hurd: If the Court please, I would like to read a few excerpts from this Government Exhibit No. 194.

The first is on the first page, third paragraph:

"There seems to be no question but what the opinion was unanimous in favor of the objectives of your pro-

posal, nor did there seem to be any unanimous disfavor of any particular element or feature of your proposal. There was a general feeling of misgiving with respect to discontinuing the present Finance Committee and not establishing some body whose particular function would be handling financial problems of the organization and, which would also constitute a concentrated representation of stockholders' opinions on important matters."

Turning to the second page, the first full paragraph:

"Another suggestion was offered (after Don's departure),—"

[fol. 2462] Q. Who is Don?

A. Mr. Donaldson Brown.

Q. (Reading):

"—on which I would like to get your reaction. I will describe the suggestion by outlining the procedure:"

It then refers to reducing the Board of Directors.

Then turning to the bottom of the third page, last paragraph:

"Having thus reduced the membership of the Board, either at the same meeting or subsequent meeting, a general Policies Committee would be appointed, composed of: Bradley, Brown, Knudsen, Sloan (as Chairman), Smith, Wilson."

I interrupt there, Mr. Sloan. Were any of those six men representatives of the du Pont Company at that time?

A. They were not.

Q. Continuing with the letter:

"This Committee would be made responsible for the formulation of general policies of the Corporation, including financial policies: but insofar as the financial policies are concerned, they would not have authority to decide certain kinds of financial questions, the decision on which would be reserved to the Board of Directors which, as stated before, would meet monthly and

keep itself intimately informed with respect to the Corporation's affairs. These matters which would be left to the Board might include purchase, sale, issue or redemption of securities, dividends, general bonus plans, working capital policies, budgets and appropriations in excess of, say, ten million dollars, not previously budgeted.

[fol. 2463] "At the same time, the Board would appoint an Executive Committee, composed of: Bradley, L. P. Fisher, Grant, Hunt and Mooney."

Q. Mr. Sloan, were any of those six named men representatives of the du Pont Company?

A. They were not.

Q. (Reading):

"Wilson (as Chairman) with the addition of Knudsen and Sloan, ex officio, and any other additions which might be appropriate."

Then turning to the bottom of page 5:

"It seems to me that this suggestion accomplishes the same result as your proposal, except that, in effect, the Board of Directors would, to some extent, become the Finance Committee, and the Board would be made a real working group. Perhaps on this basis, some of the Board enumerated above and included in those of the banking and du Pont groups might wish to resign, because of the additional time required. Certainly, I would feel like doing so for this reason, unless the du Pont Company should desire me to remain."

Q. Do you recall, Mr. Sloan, that at this time Mr. Lam-mot du Pont was supported by other representatives of the du Pont Company with respect to his alternative plan?

A. I don't recall that.

Q. I show you a document that is in evidence as Government's Exhibit No. 195.

Mr. Hurd: If the Court please, I would like to read that exhibit.

[fol. 2464] This is a letter dated the same day as Govern-



ment's Exhibit No. 194, that is, April 6, 1937. It is from Mr. Lamot du Pont to F. D. Brown:

"Referring to our telephone conversation this morning, in regard to the proposed General Motors reorganization, I have drafted a letter to Alfred of which I am enclosing two copies."

That refers to the prior exhibit.

"I think I am correct in saying that Pierre approves this proposal in principle and has no objection to the details, but realizes that some of them might be improved; and, of course, it is understood that that would be done, if possible. Walter——"

By Mr. Hurd:

Q. To whom does "Walter" refer?

A. Mr. Carpenter.

Mr. Hurd: (Reading)

"—Walter does not like the proposed plan generally, but thinks it is acceptable and as good, if not better, than anything else suggested. Irene left for Cuba last night, hence did not see the draft, but participated in the discussion which led up to its preparation, and I guess would be in accord with Pierre's view. I think this proposal is entirely acceptable, but, like Pierre, feel sure that you and Alfred and John can make many suggestions for improvement.

"If you see fit, will you forward a copy of this draft to Alfred?"

By Mr. Hurd:

Q. "Alfred" refers to you?

A. Yes.

[fol. 2465] Q. That plan, however, was not adopted?

A. That plan was not only not adopted, Mr. Hurd, but from my point of view it was not realistic and I don't think I could have accepted it.

Mr. Hurd: In that connection, if the Court please, I would like to refer to Government's Exhibit No. 196.

The Court: Are you offering 1951

Mr. Hurd: That is a Government Exhibit, if the Court please.

The Court: Already in evidence?

Mr. Hurd: Yes.

I would like to refer to Government's Exhibit No. 196, which is also in evidence. This is a letter from Lamot du Pont to Walter Carpenter, dated April 23, 1937.

Turning to the fourth page, the bottom of the page, the last paragraph:

"Alfred seems so insistent on this general plan and was so generally backed up by the others that I feel your objection, in which I concur, could well be waived, especially in view of the fact that you and some other man of financial experience from the du Pont Company might be named on the Policies Committee."

By Mr. Hurd:

Q. Mr. Sloan, will you look at this exhibit, Government's Exhibit No. 196, and see if that sets forth substantially the plan that you recommended and which was adopted?

A. This exhibit, Mr. Hurd, outlines the plan in exactly [fol. 2466] the form that I recommended it. However, the recommendation, the report here, includes a statement of those men who would be on the Policy Committee.

That would somewhat change it, Mr. Hurd. Additional members were added to the Policy Committee as it was about to be appointed, increasing the number shown on page 3 of this exhibit.

Q. I now show you a document which is marked for identification as General Motors Exhibit No. 5, which is a chart dated June, 1937, and ask you if that reflects the changes that were made in 1937?

A. That is correct, Mr. Hurd. That shows the Policy Committee and the members of the Policy Committee as amended, indicated in the report or the letter that you just showed me.

It also shows the Administration Committee and, I explained yesterday, the purpose of the Administration Committee was to develop a broader basis of discussion, understanding and recommendation of policy than was possible with the limited membership of the Executive Committee.

You will note further, Mr. Hurd, what is defined here as policy groups. That was my administration suggestion of bringing the research or the development side of this more in line with the current operating side, and also to effect the increased coordination between the operating divisions made necessary by the change of circumstances that developed over the ten years since the chart of 1927 was in use, as exemplified by our discussion of yesterday.

Q. Mr. Sloan, I now show you a document marked for identification as General Motors Exhibit No. 6, which is dated October, 1944, and ask you if that sets forth the same organization as contained in General Motors Exhibit No. 5? [fol. 2467] A. That is correct, Mr. Hurd. The difference is more the artist's conception of how it should be laid out than affecting the administration of the business. But there were no changes of any consequence between the organization setup agreed upon as was developed here in 1937 until we reached the year 1946.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibits Nos. 5 and 6. The reason for including 6 is the draftsmanship makes the plan a little clearer.

The Court: The exhibits are received in evidence.

(Said documents, so offered and received in evidence, were marked General Motors Exhibits Nos. 5 and 6.)

By Mr. Hurd:

Q. With the Court's permission, Mr. Sloan, I would like to have you go to the enlarged chart and point out to us those features you have just been mentioning, the addition of the policy groups, where they are, and the changes in the committee.

Would you explain that?

A. I have already explained the underlying reasons that brought about the change from what we had previous to 1937 to the adoption of the 1937 scheme of things.

It will be noted that, in the place of the first two committees, the Finance Committee and the Executive Committee, we consolidated those two operations into one committee of which I was chairman.

Then we had an Administration Committee, which I have already stated yesterday, and a few minutes ago, was for

[fol. 2468] the purpose of developing a broader basis of understanding and discussion from those operations of the corporation which were not represented on a governing committee.

Then we find the policy groups here which was my conception of the type of organization which would bring the daily problems—the executives dealing with the daily problems in line with the experts, on a functional basis, so that we could discuss ways and means whereby we could improve the operating efficiency of the business through research and investigation.

The operating divisions and subsidiaries, to which production and result are confined, were not changed at all, as the fundamental concept of General Motors' management contemplates that the responsibility given to the chief executive of the division be a complete responsibility, and my own development of this program, as to engineering and sales and advertising and dealer relationships and purchasing, and all that sort of thing, was not in any sense changed.

That remained exactly as it is through the whole course of General Motors' development in the last thirty years.

Outside of that fundamental change, which was here and here (indicating), the rest of it remains practically the same, Mr. Hurd.

Q. To whom did these policy groups report?

A. They each had a chairman. They had no line of authority as I defined it yesterday. I mean, they could not decide anything within themselves, but in view of the significance of these policy groups in dealing with the current operations of the corporation, and particularly involving the forward practices in technique, all of these policy groups were high officers of the corporation.

[fol. 2469] For instance, let us take engineering. Mr. Wilson and Mr. Bradley and myself, who ranked high with the corporation, were on the engineering policy group. That meant, of course, that when the policy group took a position, involving an engineering program, or some advanced technique, the fact that the president and other executives were on the policy group, would carry a great deal of weight in the recommendations of that particular policy to the Administration Committee, which gave a

broader discussion from the operating division to the Policy Committee recommendations for finalization of the program. In other words, to repeat to some extent, these policy groups had no authority to issue directives, but the fact that they had on them the president and other executives, and those executives had line authority really meant that the policy agreed upon in these different groups was quite generally accepted by the Administration Committee as the recommendation of the policy group committee, unless something important arose that was not considered at the time the policy was developed.

Q. Did the reports from these policy groups go originally to the Administration Committee?

A. That is correct.

Q. To what group did the Administration Committee report?

A. To the Policy Committee. That is shown by this solid line.

Q. Turning now to the year 1946, will you tell us what changes were made in the organizational setup at that time?

A. Well, to 1946 was a period of nine years, and a great deal had happened. In the first place, we had gone into a war and come out of the war, and the time arrived when [fol. 2470] I felt that I should retire and turn the responsibility that I had been assuming for something like twenty-three years over to others. Therefore, I retired as chief executive officer of the corporation, and that was passed on to Mr. Wilson, who had been president. Mr. Wilson therefore became chief executive officer of the corporation, and I continued as Chairman, in a position permitting such services as I could render, especially to the governing committee, but without executive responsibility, dealing with administrative matters.

In addition to that, the war and post-war era brought very many very important problems to the corporation that had not existed before the war. For instance, we embarked on a very large expansion program involving the investment of something like a billion dollars. The financial programs of the corporation have increased very importantly over what existed before the war.

In addition to that, Mr. Donaldson Brown, who served as chief financial officer, retired with me. It was considered



desirable to continue the top financial administration of the business in New York, and we moved Mr. Bradley, who was going to Detroit for war services to New York, as chief financial officer in the place of Mr. Brown.

In addition to that, the expansion of the corporation's activities in that and other fields has brought operating problems of far greater consequence and diversity and magnitude than we had before the war.

Still, in addition to that, some of the men who had served on the policy committee which was in force between 1937 and 1946 felt that they were asked to take a responsibility on operating matters that they did not have competence to adequately deal with.

[fol. 2471] For all those reasons, a change was effected in 1946. What we did was to take the Policy Committee, as organized and started in 1937 and divide it into two parts. One was the Financial Policy Committee, and the other was the Operations Policy Committee. And in order to support the particular coordination; it was agreed, when any problem of significance on the financial side involving a high question of policy on the operations side arose, it would be considered by joint committees, where the two committees would get together for a general consultation.

That has taken place quite a number of times.

In addition to that, as significant questions arose which perhaps would not require a general meeting, the Financial Policy Committee could have before it one or more executives who were concerned with the particular problem in order that they could get a broader understanding of the relationship of that problem to the business in terms of finances, and general operating results.

Q. What had been the attitude of Mr. Lamot du Pont and Mr. Carpenter regarding the operations of the Policy Committee and the Administration Committee in the early part of the '40s?

A. They supported it and approved it, but I think as time passed they felt it was not working as well as it could. Personally, I thought their point of view was perhaps caused by the fact the war had come along, and the war changed about everything in General Motors.

You will recall after the war started, we were completely out of production of motor cars. We had to make things

we never saw or heard of or knew about before. Now, the time factor was very important, and no organization that [fol. 2472] was set up on a peace basis could be entirely satisfactory on a war basis such as we went on when the war began, at least, when we went out of automobile production, which was February 1, 1942.

Q. Do you recall Mr. Carpenter and Mr. Lamot du Pont taking the matter up with you from time to time in the early part of the war?

A. Mr. Hurd, as I testified before, whenever a question arises of a substantial change in technique in General Motors, it has to go through a long process of examination, discussion, consideration, and elimination of one idea after another, and this change in 1946 which was really brought about by my retiring from the corporation, went through the normal processes, and out of it came the scheme of thinking which I just a few moments ago testified to.

Q. Mr. Sloan, I am going to show you three documents, Government's Trial Exhibit No. 201, a letter from Walter Carpenter to you dated April 8, 1942; Government's Exhibit No. 202, which is a letter from Lamot du Pont to you dated April 10, 1942; and Government's Trial Exhibit No. 203, which is a letter from you to Mr. Lamot du Pont dated April 13, 1942, and ask you if this constitutes part of the correspondence that you had with representatives of the du Pont Company on this general problem?

A. That is correct, Mr. Hurd. I might add for the information of the Court that in developing changes in organization such as we have been discussing here this morning, we find a considerable amount of correspondence with certain of the members of the Board of Directors—take the du Pont group for instance—but you don't find any correspondence [fol. 2473] with the members of the management of the operating organization.

The reason for that is that we are all together in the same office, and we don't write letters to the man next door. We go in and talk the thing over with him. Therefore the whole development of the program, when these things were going on, was carried on just as much within the management group as it was with certain of the directors. The whole thinking part of the business is called into play to develop the best ideas possible, and the only point I want

to make is that it is done partly by correspondence and partly by personal contact.

Mr. Hurd: If the Court please, I would like to read a few excerpts from these letters. The first is Government's Exhibit No. 201. It is an exhibit in evidence.

I am starting with the third paragraph, the first page, and this is a letter from Mr. Carpenter to Mr. Sloan:

"I agree that the Committee setup which we have over there today is one which should be altered. The developments growing out of the present critical emergency have brought out some of the weaknesses in our present setup, though I do believe the weaknesses existed even before the war and the creation of the War Committee and would have required a change in our organization in any event.

"I say this because I feel we have gradually moved away from the idea which was the foundation of our present organization, namely, that the Policy Committee would set up major policies and that the Administration Committee would carry them out.

[fol. 2474] "I think, as the years have gone by, the Policy Committee has become stronger and stronger, and the Administration Committee has become of gradually lesser importance. I think this is true both as respects the personnel of the two Committees as well as their activities \* \* \*"

Then referring to Government's Trial Exhibit No. 202, which is a letter from Lammot du Pont to Mr. Sloan, the second paragraph:

"On page 2, second paragraph, Walter refers to the Policy Committee"—

He is apparently referring to the prior exhibit, 201—

"refers to the Policy Committee becoming in large part 'a repetition of the War Committee.' If I understand Walter's idea correctly, I agree with him, but would express it 'that a large part of the Policy Committee's activities have been a rediscussion and approval by implication of what the War Committee has already done.'"

By Mr. Hurd:

Q. Mr. Sloan, referring to that for a moment, what was your position as to this comment that Mr. Lamnot du Pont makes, that the Policy Committee's activities were largely a rediscussion of what the War Committee had already done?

A. Well, that was probably so, and perhaps there was too much of that going on, but that had nothing to do with the soundness of the plan. That had simply to do with the [fol. 2475] administration of the plan. The whole concept of the Policy Committee was to bring together at a top policy level, the top officers of the administration of the business, and outside directors who were general representatives of important stockholders' interests. It was a co-ordination between ownership and operation.

Q. Then turning to Government's Trial Exhibit No. 203 to the last page, I would like to read the last paragraph. Trial Exhibit No. 203 is Mr. Sloan's reply to the prior exhibit, the letter from Lamnot du Pont to Mr. Sloan dated April 10th.

This letter from Mr. Sloan is dated April 13th, 1942, and in the last paragraph it states:

"In the last paragraph of your letter you bring up the question of the so-called 'du Pont influence.' I understand how you view that and I do not know as I differ greatly with you from the standpoint of the general trend of affairs, but at the same time I hold that while the responsibility is there, it must be discharged. It can not be dodged. And, as I said at the beginning of this letter, entirely irrespective of that situation I still feel—and here is really the most important point I have to make in the whole discussion—that the top Committee should be the top Committee; and not one having only equal power with the other Committees; and that it should be comprised of personnel representing the interest we have discussed; viz., that it should deal with broad questions of operating policy as well as with financial policies—the former from the standpoint of a general review and the latter from a more definite standpoint of established policy, but particularly we should always recognize the importance of



A. The du Pont group.

Q. Now, at this point under "Others," you have two new names, Douglas and Mellon. Who was Douglas, and who suggested him as an addition to the Board?

A. I think I suggested Mr. Douglas, and I think Mr. Mellon was suggested by Mr. Donaldson Brown. Mr. Mellon had become a large stockholder in the corporation in the interim, a very large stockholder, and he was elected on account of his stock interest.

Q. What Mellon is that?

A. Richard Mellon.

Q. What Douglas is this?

A. Lewis Douglas, who was president of the Mutual Life Insurance Company, and former Ambassador to Great Britain from the United States.

Q. Referring back just a moment to that first column "Management," the last seven names.

At whose suggestion were they added to the Board?

A. I suggested them, or rather, that is not so. I suggested them to the Board, but they were suggested to me by the president of the corporation; because they had to come on the Board because he wished to put them on the Operations Policy Committee.

Q. That was Mr. Wilson?

A. Mr. Wilson, yes.

Q. Now, turning to the last page of the document, the last five names under the first column.

Who suggested their addition to the Board?

A. Mr. Alexander—

Q. No, the first column under "Management."

A. I am sorry.

[fols. 2497-2499] Q. The last five names.

A. All those names, five in number, that carry the asterisk before their names, were men that came on the Board on the recommendation of the president because it was necessary to qualify them for responsibility on the Operations Policy Committee.

Q. And that would be Mr. Wilson who suggested them?

A. Mr. Wilson. He was president of the corporation at that time.

Q. In that last column, headed "Others," the last three names.



Who was Alexander, and who suggested him?

A. Mr. Alexander at this time was president of J. P. Morgan & Company, and I suggested him.

The next name is General Lucius Clay, the military commander in Germany. He was suggested by Mr. Pratt, because Mr. Pratt worked with General Clay during the war, and he thought he would be a desirable addition to the Board.

The other name is Dr. Karl Compton. He was my nominee. He was Chairman of the Board of the Massachusetts Institute of Technology. He was also a very large stockholder in the corporation.

Mr. Hurd: If your Honor please, I offer General Motors Exhibit No. 10 in evidence.

The Court: It may be received.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 10.)

[fol. 2500] Mr. Hurd: If the Court please, the subject I wish to take up this morning concerns the General Purchasing Committee of General Motors Corporation that was in existence from about the end of 1922 until sometime in 1931.

The testimony is directed particularly to paragraph 61 and 62 of the amended complaint which charge in substance is that this committee was formed to ensure that the wishes of the du Pont Company would be fully complied with.

ALFRED P. SLOAN, JR., called as a witness on behalf of the defendants, having been previously duly sworn, resumed the stand and testified further as follows:

Direct Examination (Continued).

By Mr. Hurd:

Q. Mr. Sloan, can you tell us who originated the idea of the General Purchasing Committee?

A. I did.

Q. In general, what was your purpose in bringing about the creation of that committee?

A. The purpose was to coordinate the purchasing power of the various operating divisions on the basis that volume affected cost, and hence is reflected in price. That was the first consideration.

The second consideration I had in mind was the standardization of things that the General Motors was purchasing, materials and properties or products that could be properly standardized.

The benefit of that was to further increase the volume of any one thing, and hence to reduce the cost, and it should be reflected in the lower price to the benefit of the corporation.

Q. Do you recall what the occasion was for your conceiving of this idea of combining purchases?

A. Well, it was a natural, Mr. Hurd, for any businessman, as illustrated by what I have already said. Also, I previously testified here that when I was selling Hyatt Bearings I had a very important customer, the Ford Motor Company, and I was a very close friend of Mr. Ford's executive who had charge of production engineering, and I was familiar with the fact that they had brought together all of their needs in purchasing, say, like steel, and then Mr. Wells would go down to New York, and he would dicker with the steel producers to get the benefit of the lowest price that might be had.

That made quite an impression on me, and when I got into a similar position where I had like responsibility, I recognized that that was something I had to do, to capitalize the advantages of the corporation's purchasing power.

Q. About when did you start on your program combining purchases?

A. About the end of 1921; perhaps it was January or February, 1922. It was in that time area, Mr. Hurd.

Q. And at that time, approximately what were the relative standings in the industry of the Ford Motor Company and the General Motors Corporation?

A. Well, the Ford Motor Company at that time did 55 to 60 per cent of the business of the industry in terms of units.

[fol. 2502] The General Motors in the aggregate had something like 12 per cent.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 35, which is a tabulation comparing the number of motor vehicles sold by Ford Motor Company, General Motors Corporation, and the other manufacturers.

Mr. Harsha: May I inquire of counsel whether this chart is supposed to be representative?

Mr. Hurd: This chart is, I believe, statistically correct as to what the situation was in 1921, in that particular industry, with respect to the relative standings of the various motor companies.

Mr. Harsha: My inquiry, your Honor, is addressed to the testimony of the witness that as of about this time the ranking of the Ford Motor Company was around 55 to 60 per cent of the industry, and General Motors around 12 per cent, and then this chart is being introduced in support thereof.

If this is being introduced as representative of the relative positions, I think the government objects.

I think it is true as a statistical picture of the conditions existing in 1921, which is a very unrepresentative year, shown by the documents which the defendants themselves have placed in evidence.

For example, quoting from the General Motors annual report for the year 1922, which is the du Pont Exhibit No. 57, on page 12, the statement is made:

"Excepting for the year 1921 earnings of the corporation have been satisfactory. The year 1921 showed [fol. 2503] a shrinkage of 45 per cent in the number of cars produced, and 40 per cent in volume of sales."

We have checked the tabulation, and I think the Court will see from the FTC report upon which this chart seems to be based that this is the one year which shows a low percentage for General Motors.

For example, in 1919, which is the previous recorded year, we have a showing that General Motors produced 362,000 in round figures, against 782,000 by Ford, and in the two years after 1921 we have General Motors producing 754,000 as against Ford's 1,917,000. The percentages for those years, as shown by this table indicated that Ford had 40 per cent roughly in 1919, as against over 18

per cent in General Motors, and in the year 1923 Ford had 47 per cent, roughly, against General Motors' 18-plus per cent.

The Court: Well, it appears to me that if your only objection is based on the fact that it is not a representative year, but yet you do not question the accuracy of the statistics quoted, that would not be a basis for a sound objection.

It seems to me that you would have an opportunity in rebuttal to offer evidence—

Mr. Harsha: That is why I inquired, your Honor, whether it is being offered as being representative of the relative positions of Ford and General Motors in the industry over this early period.

The Court: If it is an accurate representation for that period, I think it is admissible. You may have the opportunity to offer evidence in rebuttal.

[fol. 2504] Mr. Hurd: I might say, if the Court please, that the reason for selecting this year was that this coincided with the activity on the part of Mr. Sloan in creating this committee.

It was a situation that existed at that time which contributed to his thinking that he needed to combine purchases.

The Court: The objection is overruled and the exhibit is admitted.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 35.)

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 36, which is a chart reflecting the statistical data that is on General Motors Exhibit No. 35.

Mr. Harsha: We would interpose the same objection, your Honor.

The Court: The same ruling, and for the same reason.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 36.)

Mr. Hurd: With the Court's permission, Mr. Sloan, I would like to have you step to the easel and using the pointer explain General Motors Exhibit No. 36 in so far as it related to the problem that you had before you in

1921 with respect to combining the purchases of General Motors Corporation.

The Witness: I don't think, Mr. Hurd, there is anything particularly complicated. It is really self explanatory.

This pie, as we call it, represents 100 per cent of the industry's volume in units. It shows for this particular [fol. 2505] year, Ford, 55.45 per cent. The various General Motors units are substantially as follows:

Buick had 4.77 per cent; Cadillac .66 per cent; Chevrolet 4.04 per cent; Oldsmobile, 1.13 per cent; Oakland, .70 per cent; and the Truck Division, .49 per cent.

The Court will recognize, I am sure, that we are dealing here with units and showing the percentage on a unit basis.

From the standpoint of purchasing power, it might well be that this aggregate, 11.79 would be a little out of ratio to this because the amount of material required in some of these cars would be somewhat greater than the Ford car which is in the low price area.

Q. Mr. Sloan, had there been any procedure under Mr. Durant's presidency for having the motor divisions or any of the divisions combine their purchasing?

A. Not that I know of, Mr. Hurd.

Q. Had there been any procedure prior to Mr. Durant's presidency dealing with this subject?

A. Between 1912 and 1916, at the time Mr. Nash was president, there were some activities of this kind. It wasn't very definite. It was very informal. But the idea was exemplified in certain meetings that took place during Mr. Nash's presidency.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibits 37 to 42, inclusive, which are minutes of meetings of purchasing agents during the years 1913 to 1915.

The Court: Any objection?

Mr. Harsha: No objection, your Honor.

The Court: The exhibits are all received in evidence.

(Said documents so offered and received in evidence were [fol. 2506] marked General Motors Exhibits Nos. 37 to 42, inclusive.)



Mr. Hurd: With the Court's permission, I would like to call attention to portions of these exhibits and read portions of them.

The first exhibit is General Motors Exhibit No. 37. I would like to call attention to the people who were present at this meeting held on May 7, 1913.

There were a number of people there. The Court will notice that they are representatives of various divisions, principally motor divisions of the General Motors Company as it then existed. These were all purchasing agents as is stated in the first paragraph.

The last full paragraph on the page, I would like to read:

"Mr. Nash—"

Q. Mr. Nash was then president of General Motors?

A. Correct, Mr. Hurd.

Q. (Continuing):

"Mr. Nash stated that he had called the meeting with a view to giving the Purchasing Agents an opportunity to become better acquainted and to discuss topics of common interest relating to their branch of the work"

Turning to the second page, the last paragraph:

"In response to an inquiry regarding the form of Buick contracts, Mr. Copeland stated that as a rule [fol. 2507] said contracts are drawn to cover the requirements of the Company not to exceed a stated amount, in other words, the contracts specify a maximum but not a minimum amount so that the Company is obligated only for orders actually placed. The contracts are drawn so as to give the Company the benefit of any general reduction of prices or more favorable quotations from others. In certain of the contracts a provision is inserted making them available for any subsidiary company of General Motors Company. It is the intention to use such a provision in practically all of the 1914 contracts and the other companies will be duly advised regarding all such contracts.

"As a result of the discussion which followed it was decided that much good could be accomplished by an

exchange of contract forms between the various companies. In pursuance of this plan each Purchasing Agent is to send the others a copy of the contract form which he is now using."

Mr. Sloan, at that time which was the largest division of General Motors Corporation?

A. Buick, in all probability.

Q. The Mr. Copeland referred to here as shown in the document was a representative of the Buick Company at that time.

A. Yes.

Q. Exhibit 38; the first full paragraph—this is another meeting of the purchasing agents, held on June 4, 1913. The heading is, "Standardization of Contract and Inquiry Forms."

"Consideration of this matter was deferred to the [fol. 2508] next meeting because of the absence of Mr. Main, one of the committee having it in charge."

Mr. Sloan, is that the same Mr. Main that later acted for your purchasing committee?

A. Correct.

Q. Turning to page 2 of Exhibit 38, second paragraph:

"Mystic Cutting Compound—It was decided that a general contract, available for all the companies, should be made covering this compound. Each member of the Board is to ascertain the amount of said compound used by his Company and report the same at the next meeting in order that the aggregate requirements may be determined to serve as a basis for such a contract."

Then turning to page 3, at the bottom:

"Compilation of Data—In order that the data regarding prices, etc., obtained by the various members of the Board might be brought together and combined in comparative statements so as to be of maximum usefulness to each member it was decided that any member desiring information concerning any item should so advise the Chairman of the Board (Mr. Copeland)—"

that was the Buick representative.

“—who will thereupon have this data gathered and compiled, furnishing a copy of the statement to each member of the Board.”

[fol. 2509]. Exhibit No. 39, the last page under the heading: “Burroughs Adding Machines.”

“Mr. Copeland stated that a letter had been received from Burroughs Adding Machine Company, offering to renew their arrangement with General Motors Company for a term of two years, that is, to July 11, 1915. It was decided to accept the proposition provided the arrangement is so worded as to cover only the requirements for Burroughs adding machines.”

The Court will note this contract applied to all divisions of General Motors.

Exhibit No. 40, second page, under the heading: “General Contracts”—

“A discussion was had relative to the procedure to be followed in making general contracts to cover the requirements of all or a number of the companies on various terms. As a result, it was decided that all contracts entered into by the companies respectively should, whenever possible, contain a provision giving any other constituent company the privilege of buying under said contract.”

I will not read excerpts from the last two, but point out that there were further meetings of the purchasing agents of General Motors Company held in August, 1914, and August 20, 1915.

By Mr. Hurd:

Q. During the period that Mr. Nash was president, and as covered by these minutes, did the du Pont Company, so far as you know, have any interest in General Motors?

[fol. 2510] A. So far as I know, they did not.

Q. During the later years, from 1916 until the end of 1920, when Mr. Durant was president, did you ever hear

of any comparable meetings of the purchasing agents of General Motors?

A. I did not.

Q. At the time that you prepared your organization study that you submitted to Mr. Durant in 1920, did you consider the problems of purchasing?

A. The problem was developed in terms of generalities in that study, but it was not carried to the point where an administrative set-up was recommended to support the broad idea.

Q. The idea of a General Purchasing Committee occurred at a later date, 1920?

A. Yes.

Mr. Hurd: In that connection, I would like to call the Court's attention to General Motors Exhibit No. 1, which is already in evidence, on page 19, under the heading, "Purchasing Section."

The Court: Whose exhibit was that?

Mr. Hurd: General Motors Exhibit No. 1.

The Court: And the page?

Mr. Hurd: Page 19, under paragraph No. 1, "Purchasing Section."

"This section is to study source of supply, tendencies in prices of materials in general use by the Corporation, especially those applicable for forming a basis for general contracts such as various kinds of steel, brass, and copper, lumber, ties, fuel and all other materials that can be treated in a general way whether in the raw state or finished. Also, to co-ordinate [fol. 2511] the purchasing with a view to getting the greatest benefit possible for the Corporation as a whole."

By Mr. Hurd:

Q. Did Mr. Durant set up any section such as you recommend?

A. Not that I recollect, Mr. Hurd. I think I testified yesterday to the best of my recollection that that particular study was given no consideration by him because at that time I think he was involved in what he thought were more consequential problems.

Q. After your suggested form of organization was adopted under Mr. Pierre du Pont's regime in December, 1920, was such a purchase section set up?

A. There was a purchase section set up.

Q. Do you recall who was in charge of that section at the beginning?

A. A man by the name of Hardy, A. B. C. Hardy, who shortly thereafter became general manager of the Oldsmobile Division.

Q. Where had Mr. Hardy been in the organization prior to that?

A. I don't know his background, Mr. Hurd. From my point of view, he had always been with General Motors. When I got there, I found him there. I don't know what his beginning really was.

Q. Who selected Mr. Hardy for the division director of the purchasing section?

A. I did.

Q. Mr. Sloan, I show you a document which has been marked General Motors Exhibit No. 43, for identification, and ask you if that is the notification that you sent to the division managers regarding the appointment of Mr. Hardy?

A. That appears to be correct.

Q. Does it correctly summarize what you considered Mr. [fol. 2512] Hardy's duties were as of that date?

A. It does.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 43.

The Court: It is received.

(Said document so offered and received in evidence, was marked General Motors Exhibit No. 43.)

Mr. Hurd: I would like to read through the first paragraph. This is dated January 25, 1921.

"To all General Officers and General Managers of Divisions.

"In connection with the tentative form of organization recently adopted—"



By Mr. Hurd:

Q. That refers to your plan that Mr. Pierre du Pont had approved?

A. Yes.

Mr. Hurd: (Reading):

"—the following appointment, with the duties designated, has been made.

"Mr. A. B. C. Hardy—Director Purchasing Section—Advisory Staff—Headquarters, Detroit, Michigan.

"Duties are specified as follows:—

"1. To consider and make such general contracts pertaining to the purchase of materials, supplies and equipment, as in his judgment may be desirable and to the interest of two or more Operating Divisions. The use of such general contracts to be entirely at [fol. 2513] the option of the Operating Divisions and, when used, all dealings to be directly between the Seller and the Purchasing Division."

By Mr. Hurd:

Q. Mr. Sloan, had Mr. Hardy any authority to compel the divisions to purchase from any source he selected?

A. He did not.

Q. What was your purpose in limiting the contracts that he would make to items purchased by two or more operating divisions?

A. Well, there would be no use of having it operative, Mr. Hurd, unless two or more divisions were involved, because otherwise if one division was involved, it would come under the jurisdiction of that division solely, and it would not be acted upon by General Motors.

Q. There would be no increase of the volume by purchasing, if you had only one division?

A. That is correct.

Q. Do you recall whether Mr. Hardy remained as a director or whether he was succeeded?

A. He did not remain long. I testified a minute ago that he became general manager of the Oldsmobile Division when the change took place there. He was succeeded

by a man named Main; J. R. Main, who was the former purchasing agent of the Cadillac Motor Division.

Q. This was a man who had been with the company for a good many years?

A. He had.

Q. Who selected Mr. Main as the director of the purchase section?

A. I did.

Q. Did the working of this purchase section solve your problem of combining purchases?

A. I do not think it was broad enough. I do not think it had enough responsibility definitely attached to it. I thought we ought to have a more concrete form of organization [fol. 2514] if we were to get the benefit from the general contracts that I had in mind.

Q. Did Mr. Main make some general contracts?

A. I think he did, but on a very limited scale. I may have to be corrected on that, Mr. Hurd.

Q. Do you recall whether or not the divisions purchased under the contracts that were made?

A. I don't know that.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 44, which is a memorandum of a meeting of the car division managers on June 23, 1921.

The Court: It is received.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 44.)

By Mr. Hurd:

Q. I would like to call attention to the people who were present Mr. Sloan. Would you look at General Motors Exhibit No. 44?

After Mr. Haskell's name, can you tell us whether or not the names listed were the managers of car divisions at that time?

A. Do you wish me to repeat them?

Q. No. Were they all car division managers?

A. No, they were not all car division managers.

Q. Which ones were?

A. Mr. Hannum was; Mr. Basset was; Mr. Zimmerschied was, and I think Mr. Sarver was; Mr. Hardy was not; Mr.

Rice was; Mr. Day was; Mr. Hawkins was not, and Mr. Merrill was not.

Q. I believe this date is after the appointment of Mr. [fol. 2515] Main as director of purchases.

A. And I testified on the basis that Mr. Hardy had become general manager of the Oldsmobile Division. I do not recall the exact date when that took place.

Mr. Hurd: I would like to read the portion relating to "Contracts;" appearing at the bottom of the page.

By Mr. Hurd:

Q. Who is Mr. Mott, or who was Mr. Mott?

A. Mr. Mott was vice-president of the corporation in the general organization. He might be defined as principal assistant to myself.

Mr. Hurd: (Reading)

"Mr. Mott brought out the fact that General Motors Corporation has entered into various contracts with concerns, but the Divisions apparently do not know anything about these contracts and are therefore not availing themselves of possible opportunities to purchase more advantageously, etc. Particular attention was called to the Armstrong Springs Company, which company has a contract to furnish 60% of General Motors springs and which company has borrowed \$1,000,000 from General Motors.

"It was agreed that Mr. Main should furnish the General Managers of the Divisions with two copies of all contracts affecting them, which General Motors Corporation has entered into.

"Mr. Bassett recommended that the Division Managers recommend to their Purchasing Agents that they get together with Mr. Main, in Detroit, and discuss the matter of furnishing records, data, etc."

[fol. 2516] By Mr. Hurd:

Q. What was Mr. Bassett's position at this time?

A. General manager of the Buick Motor Division.

Mr. Hurd: If the Court please, now I offer in evidence General Motors Exhibit No. 45, which is the minutes of

the meeting of the car division managers with the Executive Committee on November 3, 1921.

The Court: It is received.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 45.)

Mr. Hurd: I call attention to the fact that practically the same people were present at this meeting.

[fol. 2517] I will offer in evidence General Motors Exhibit No. 46, which is a letter from Mr. Steenstrup to Mr. Sloan, dated May 5, 1922.

The Court: It is admitted.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 46.)

By Mr. Hurd:

Q. Mr. Sloan, who was Mr. Steenstrup?

A. Mr. Steenstrup was the bookkeeper of the Hyatt Roller Bearing Company when I was with the Hyatt Company, and when I became general manager, so-called, of Hyatt, Mr. Steenstrup undertook the sales activity of Hyatt, and I undertook the engineering activity.

Q. Do you recall receiving this memorandum from him on the subject of purchasing?

A. Yes, I do.

[fol. 2518] Q. Mr. Sloan, what, if anything, did you do to improve the situation as it existed regarding purchases?

[fol. 2519] A. Early in the year 1922—it might have been December, 1921—I talked to Mr. Main, who was then executive in charge of the central purchasing activity, and asked him if he would give some thought to the problem.

I explained to him that I thought we ought to have a more definite form of administration in order to capitalize the perfectly enormous advantages of consolidating our purchasing power.

I asked him if he would give some thought to the matter and if he could make any recommendations that seemed to him proper in the premises.

Q. Did he make any recommendations?

A. He did.

Q. Mr. Sloan, I show you a document marked General

Motors Exhibit 47 for identification, and ask you if that is the report that Mr. Main made pursuant to your request?

A. That appears to be the report that Mr. Main developed as a result of my conversation. It was submitted to Mr. C. S. Mott, who was—Mr. Mott was, I think at that time vice president in charge of the advisory staff. From an organization standpoint it would pass to me through Mr. Mott.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 47.

The Court: It is admitted.

(Said document, so offered and received in evidence, was marked General Motors Exhibits No. 47.)

Mr. Hurd: I would like to call attention to the first page of the proposal inside of the cover. It will be noted that there are two proposals in this plan called "Proposal No. 1" and the other "Proposal No. 2."

[fol. 2520] Under Proposal No. 1, elimination of all divisional purchasing departments by centralization:

"This plan would be the centralization of everything purchased for all divisions under one head, or division, and would necessitate the elimination of all the divisional purchasing departments, and also of the formation of a central Accounts Payable Division to work in conjunction with the centralized purchasing division."

Now, turning to page 9 of the report, the second full paragraph, after he has outlined what his plan is under this proposal:

"This plan is now in operation by the following companies with certain detail modifications to dovetail in with their other departments but the general outline is identical."

And he lists:

Western Electric Company

U. S. Rubber Company.

Standard Oil Company of New Jersey.



New Jersey Zinc Company.  
 The Barrett Company.  
 Grasselli Powder Company.  
 Armour & Company.  
 du Pont de Nemours & Co.  
 Swift & Company.  
 Standard Oil Company of New York.  
 American Tobacco Company.  
 Municipality of New York.  
 The Procter & Gamble Company.

[fol. 2521] Then turning to page 10, we have "Proposal No. 2," the alternative proposal. This is an enlargement of the present purchase section.

"This plan would be an enlargement of our present Purchase Section with the necessary authority to carry on the work."

"Method of Procedure

"Standardization of Materials:

"In order to make this plan workable, it would be necessary to establish a list of all standard materials to be contracted for. This could be accomplished by having each division make a list of all materials purchased during a period of 12 months. These lists from the several divisions would be sent to the Purchase Section to be analyzed and recompiled. All materials that are common in two or more plants, or materials of sufficient quantity, to warrant making a general contract, would be listed by the Purchase Section. The several Divisions then would be notified that on all future purchasing on such items would be handled by the Purchase Section."

By Mr. Hurd:

Q. Mr. Sloan, did either of these plans recommended by Mr. Main fit the program that you had in mind?

A. When I examined those recommendations of Mr. Main, I wrote him that I was entirely out of sympathy with the first program because it completely centralized purchasing and it was contrary to the fundamental philosophy of the General Motors that the divisional executives

[fol. 2522] should have complete charge of all the component parts of their particular operation, and I told him that so far as I recall I thought he must have misunderstood me because I was against centralization in any form, and therefore I couldn't adopt that.

So far as the second part of the report is concerned, that was a little more to my line, and with certain minor details it formed a recommendation or report that I submitted to the organization later in the year under date May 8th, I think, in which I asked for criticism and comments both as to the propriety of doing more consolidation in General Motors purchasing; and whether this particular plan met the ideas of the different divisions to the extent that it would be a satisfactory type of administering such an idea.

Q. Mr. Sloan, I show you a document marked General Motors Exhibit 48 for identification, and ask you if that is your letter to Mr. Main after you studied his proposal, which is General Motors Exhibit No. 47.

A. That is a letter I wrote to Mr. Main when I received his recommendations, which is substantially along the lines I testified previous to your handing me that exhibit.

Mr. Hurd: If the Court please, I offer into evidence General Motors Exhibit 48.

The Court: It is received.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 48.)

Mr. Hurd: I would like to read a small portion of the second paragraph of the letter.

This is a letter dated February 9, 1922, from Mr. Sloan [fol. 2523] to Mr. Main, director, purchase section, of General Motors Corporation.

Reading from the second paragraph:

"It was not my idea that we would in any sense centralize purchasing. As a matter of fact, it is not my idea that we centralize anything and I would hate to have anything that I said misconstrued into the thought that my mind is running that way for I say, frankly, it is not."

By Mr. Hurd:

Q. Mr. Sloan, you stated that after this, you worked up a plan of your own dealing with the subject of purchasing?

A. I did.

Q. I show you a document marked General Motors Exhibit 49 for identification, and ask you if that is a copy of the plan to which you refer?

A. What is the question, Mr. Hurd?

Q. Is that the plan you worked up?

A. That appears to be the plan that I developed, including, with certain modifications, Mr. Main's recommendation No. 2.

This carries the date May 8, and was sent out for criticism to all those within the corporation who were concerned with such matters.

Mr. Hurd: I offer in evidence General Motors Exhibit No. 49.

The Court: It may be received.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 49.)

[fol. 2524] By Mr. Hurd:

Q. Do you recall which division you sent this proposed plan to in the beginning?

A. Will you repeat that, please?

Q. Do you recall which division of General Motors that you first sent this plan to?

A. I sent that to Mr. Bassett, who was general manager of the Buick Motor Division. That was at that time one of our largest divisions, had the greatest volume of purchasing, and I got his reaction before I submitted it to the organization as a whole.

Q. Mr. Sloan, I show you a document marked General Motors Exhibit No. 50, and ask you if that is Mr. Bassett's reply to your proposed plan?

A. This appears to be Mr. Bassett's reply to my submission of the plan, and with it he hands me certain comments of Mr. Allen who was the general purchasing agent of the Buick Motor Company at that time.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 50.

The Court: It is admitted.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 50.)

Mr. Hurd: I would like to call the Court's attention to the third page of the document, the top of the page.

The second and third pages of the document contain the comments that Mr. Allen made to Mr. Bassett which were sent along by Mr. Bassett to Mr. Sloan.

The first paragraph on the third page reads as follows:

"If trouble develops with any article of this nature, [fol. 2525] (and with the great variety of materials used, trouble does develop frequently) and only one source of supply, it often would be impossible to correct the condition in time to avoid interruptions to our production; but in the meantime a second source can usually increase quickly and save delays and shut-downs. Experience has taught us that trouble may be expected at times from the most reliable of sources and this is especially true regarding manufactured articles, such as valves, springs, malleable castings, various stampings, etc. There are many other instances which might be mentioned, but I think these will serve to illustrate my point."

Mr. Sloan, as the purchasing committee operated later on when it was created, what position did it take regarding having more than one source of supply for any particular item?

A. I don't think it took any—that it laid down any specific policy on that. I don't see how it could be. I think each case has to be judged by itself.

Q. Do you recall whether there were any recommendations as to what the policy should be, where it was feasible?

A. I think generally speaking, the policy would be we should have more than one source of supply. I don't think it was an inflexible policy.

Q. Not a hard and fast rule?

A. No.

Q. It would depend on what the product was and who the supplier was?

A. It had to be that way. As a matter of fact, in an organization as large and complicated as General Motors, it is unsound to lay down an inflexible policy.

Q. After receiving Mr. Bassett's comments, did you send [fol. 2526] your plan out to the other divisions?

A. I did. That was done under date of May 8, 1922.

Q. And did you receive replies from the other divisions?

A. I received quite comprehensive replies..

Q. Did you also advise Mr. Main about the reactions that you received from divisions?

A. I did.

Q. Mr. Sloan, I show you a document that is marked General Motors Exhibit No. 51 for identification, and ask if that is the communication you sent to Mr. Main regarding Mr. Bassett's reactions?

A. Yes. This is a letter sending to Mr. Main recommendations of Mr. Bassett to which I previously testified.

Mr. Hurd: I offer in evidence General Motors Exhibit No. 51.

The Court: It is admitted.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 51.)

Mr. Hurd: I would like to read a few portions of that, if the Court please.

This is a letter from Mr. Sloan to Mr. J. H. Main, Director of Purchase Section, dated April 13, 1922:

"When I was in Detroit last week, you recollect I had a little talk with you relative to a more definite program for capitalizing General Motors purchases and I told you that some weeks ago I had worked out something that I propose sending out to all the Division Managers in order perhaps to have the thing in little more definite shape which I think you believe is desirable.

[fol. 2527] "I submitted this program to Mr. Bassett and received his comments, through Mr. Allen, Buick Purchasing Agent. Mr. Allen seemed to be in accord with the whole program and simply pointed out, very



properly so, the importance of dealing with sources of supply that were reliable and that would not go back on us in times of stress. This, of course, is just as important a phase of the situation as the question of getting the right price."

Then going down to the last paragraph on the page:

"My thought would be to send copy of this to the General Manager of each Division and ask him to look it over and take it up with his Purchasing Agent and any comments that the General Manager might want to make would be made through his Purchasing Agent. You would then contact with the Purchasing Agent and either adopt this plan or modify it, as you might elect. What I want to do is to feel assured that you as the Director of Purchase Section have the necessary authority to capitalize General Motors purchasing power to the fullest possible extent. It is a very important thing and something we have not fully appreciated or made effective and rather than have it drag along and perhaps take five years to work out, I would like to hasten the ultimate end, if I possibly could. Therefore, if this plan goes through, I should feel that you were responsible for putting this thing across and if anything comes about that will prevent you from doing so, it will be up to you to take it up with me."

[fol. 2528] Q. You said you did send the plan out to the other divisions after that?

A. That is correct, Mr. Hurd.

Q. Mr. Sloan, I show you documents that have been marked for identification as General Motors Exhibits 52 to 60, inclusive, and ask you if those are replies that you received commenting on your proposed plan?

A. These appear to be the replies that I received to the proposed plan that I submitted to the organization at that time.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibits 52 to 60, inclusive.

The Court: They are received.

(Said documents so offered and received in evidence were marked General Motors Exhibits Nos. 52 to 60, inclusive.)

Mr. Hurd: I would like to call the Court's attention to one of them. That is Exhibit No. 57, which is a letter dated May 27, 1922, from Mr. Knudsen to Mr. Sloan.

By Mr. Hurd:

Q. At that time what was Mr. Knudsen's position?

A. He was general manager of Chevrolet Motor Division at that time.

Mr. Hurd, I would like to make this comment. In answering your questions where I refer to division, I use the term division, and to be technically correct I want to call your attention to the fact at this time some of these operations were companies.

I don't think it is important, but I want to be technically correct.

Q. Some of your motor car divisions were incorporated?

A. That is right. They were consolidated at various times, and I don't remember the circumstances or the years. [fol. 2529] Q. And by referring to the divisions, you are including those that were incorporated as well as those that were not?

A. That is right. I will continue to refer to them as divisions.

Mr. Hurd: I would like to call the Court's attention to the reverse side of this Exhibit, No. 57, which contains the copy of memorandum to Mr. Knudsen from Mr. O'Keefe, signed as General Purchasing Agent of Chevrolet, about the middle of the page, the paragraph starting:

"If it is decided that all purchases of certain items should be made by the Purchase Section of the Advisory Staff, I believe the Purchasing Agents of the Cadillac Motor Co., Buick Motor Company, Olds Motor Works, Oakland Motor Car Company, and the Chevrolet Motor Company should meet with Mr. Main and discuss the concerns with whom he is thinking of doing business, regarding quality of material and whether or not they can take care of the combined General Motors on deliveries."

By Mr. Hurd:

Q. Without taking the time to refer to the other replies you received, can you state, Mr. Sloan, whether generally they seemed to be in sympathy with your plan?

A. They entirely accepted the idea as sound and desirable.

Q. What, if anything, did you do next regarding your proposed plan?

A. Following the receipt of these replies, I revised the plan that I had submitted to the organization under date of May 8th, 1922.

The principal change between the submission of May 8th and the approved plan which carried, I think, a December [fol. 2530] date, was to the effect that the purchasing should be done by a committee. That idea was suggested to me by a reference to Mr. O'Keefe's letter to Mr. Knudsen in which he suggested that the purchasing agents get together.

That gave me the idea that they not only ought to get together, but they ought to have the responsibility, so that my plan as submitted to the organization on the date of May 8th was modified by me, and it set up a committee to be appointed by the president who would deal with purchasing matters, and that constituted the General Purchasing Committee.

That was an important change in the original recommendations of Mr. Main, which he submitted to me in February of 1922.

Q. Was that the plan that ultimately went into operation?

A. That was the plan that ultimately went into operation, Mr. Hurd, that is correct.

Q. How was the personnel of that committee selected?

A. I selected the personnel.

Q. From what source? Who were they representatives of?

A. It was a broad cross-section, so far as I could make it, with the limited membership. We had—

Q. Well, without going into who they were, were they central office people or—

A. They were both. Mr. Pratt was on the committee.

He was in the central office. Mr. Main was on the committee. We have already dealt with him.

Outside of that, as I recall the committee, there were nine on the committee, and they were all the purchasing agents of the different divisions, more particularly the car divisions where the important purchasing problems took place. [fol. 2531] Q. After you had revised your plan to incorporate this suggestion that you received from Chevrolet, did you then send the plan out again to the various divisions?

A. I did. That was done in December, 1922, or sometime close to that.

Q. I show you a document marked for identification as General Motors Exhibit No. 61, and ask you if that is the communication you sent regarding your final plan?

A. That is correct. I see it carries the date November 28, 1922.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 61.

The Court: It is admitted.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 61.)

[fols. 2532-2539] By Mr. Hurd:

Q. Mr. Sloan, I show you a document marked Defendant General Motors Exhibit No. 62, and ask you if that is the draft of the final plan you put into operation.

A. It appears to be the plan we have discussed here, Mr. Hurd.

Mr. Hurd: I offer in evidence General Motors Exhibit No. 62, if the Court please.

The Court: It is admitted.

(Said document, so offered and received in evidence, was marked General Motors Exhibit No. 62.)

[fol. 2540] By Mr. Hurd:

Q. Now, Mr. Sloan, I believe the plan called for the appointment of the Purchasing Committee by the president of the corporation.

A. Correct.

Q. At that time, who was president?

A. Mr. Pierre du Pont.

Q. Did he make the appointment?

A. He made the appointment on my recommendation.

Q. Who was it that suggested or selected the people to act on the committee?

A. I did.

Q. And you submitted your recommendation to Mr. Pierre du Pont?

A. I did.

Q. Did he accept all of your recommendations of them?

A. Yes, he did.

Q. Mr. Sloan, I show you a document marked General Motors Exhibit No. 63 for identification, and ask you if that is the communication that you sent out advising the divisions of the appointments to this committee?

The Court: What number is that?

[fol. 2541] Mr. Hurd: General Motors Exhibit No. 63, if the Court please.

By the Witness:

A. Yes, sir, that is a list of the members that were appointed to serve as members of the General Purchasing Committee that I sent out on November 29th, 1922.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit No. 63.

The Court: It is admitted.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 63.)

By Mr. Hurd:

Q. Mr. Sloan, I notice in this exhibit that Mr. Allen, purchasing agent of Buick, is included. Was Buick still the largest division at that time?

A. That is correct.

Q. The next name on it is Mr. H. L. Barton, director, Manufacturing Section, Advisory Staff. What was that section?

A. That section applied to manufacturing problems, and in that section was involved the question of standardiza-



tion. In other words, the standardization phase of the General Purchasing Committee's activities would be developed by the manufacturing staff, of which Mr. Barton was director.

Q. Perhaps you would like to hold a copy of this. The next name on there is Mr. Cromer, purchasing agent, Dayton Engineering Laboratories Company. Was that one of the accessory companies?

A. That was an accessory company. That was an important operation, and the purpose of including the purchasing agent of the accessory division was to get a broader [fol. 2542] foundation of discussion and consideration of the problems that came before the General Purchasing Committee.

Q. The next name is Mr. Hulgrave, purchasing agent of Cadillac. To what extent was the Cadillac an important division at that time?

A. Cadillac was, as the name indicates, a car division? It was an important purchaser of materials, and they should very properly be represented.

Q. The next name is Kimball, purchasing agent, New Departure Manufacturing Company. Is that another accessory company?

A. That was an accessory company. He was included because the New Departure Manufacturing Company had a friction bearing operation, and they had particular need for certain specific things which should properly be included in the deliberations of the General Purchasing Committee.

Q. Mr. Main, of course, was director of purchasing?

A. Correct.

Q. Mr. Mott, what was the occasion for including Mr. Mott?

A. Mr. Mott was on the general staff. He was really an important assistant to me at that time. He very properly belonged on the committee.

Q. Had he ever been connected with the du Pont Company?

A. Not at all.

Q. How long had he been with General Motors?

A. He came into General Motors through the Weston-Mott Company of Flint, Michigan. The Weston-Mott Company made axles for Buick and other producers.

Previous to that, he was in Utica, New York, in a business completely unrelated to the motor car business; as a matter of fact, before the motor car business came into existence.

Q. The next name is O'Keefe, purchasing agent of Chevrolet.

Was Chevrolet the second largest division at that time?

A. Chevrolet was the second largest division at that time.

Q. Mr. Pratt is included. What was the occasion for including Mr. Pratt?

A. He was brought on the committee because he had good sound business judgment. He was on the General Staff. He was not concerned with divisional activities.

Q. And Mr. James Lynah, secretary. Who was Mr. Lynah?

A. Mr. Lynah was assistant director of the purchasing section under Mr. Main. He came into the General Purchasing Committee as secretary of the committee.

Q. Did you consult with Mr. Pierre du Pont in picking the personnel of this committee?

A. I do not recall that I did.

Q. Did you consult with Mr. Lamont du Pont or Mr. Irene du Pont?

A. I certainly did not.

Q. Or any other representative of the du Pont Company?

A. I certainly did not.

Q. Now, I notice some divisions are not represented.

A. It would be impossible with a large number of divisions to have them all represented, because that would nullify the whole idea. A large committee is almost worse than no committee at all.

Q. At the beginning, I notice that you were chairman of the committee.

Did you act as chairman for a period?

A. I acted as chairman for something like two years. [fol. 2544] Now, that might not be exact, but it is pretty close.

Q. Now, will you tell us, Mr. Sloan, in a general way, what the committee's program was while you were following it, and what its objectives were?

A. The activities of the committee are quite definitely outlined in the program I submitted on November 28th, extracts from which you just read. It was not my intention, in laying down that program, to place any restrictions on the committee.

The responsibility was on the committee to take such action or pursue the objectives they had in mind. It definitely outlined them, I think, and other particulars of that program, if I recall correctly.

After the organization of the committee, the committee proceeded to examine what items, materials and supplies, component parts, and otherwise, that the corporation was purchasing through their various divisional activities.

They took action as to whether a general contract was feasible. If they did, the purchasing section was instructed to develop a contract for submission to the committee.

It was thought that increasing volume was possible through standardization. The problem of standardization was referred to the manufacturing section, under Mr. Barton.

In some cases, or in many cases, it was found undesirable to make general contracts. If it was inapplicable that matter was dropped. In other cases, general contracts were made.

When a general contract was made, it was not obligatory on any division. In other words, a division could say that while they thought the general contract was desirable from the General Motors' point of view, that it did not apply to [fol. 2545] them, in which event, they were excused from making such general contracts or participating in such general contracts.

The entire program was flexible, and the committee itself was to lay down the rules.

The report I submitted establishing the committee, was more in terms of objective purposes rather than administrative procedure. It was left to the discretion of the members of the committee, who had complete responsibility in the areas under consideration.

Q. To what extent was saving money for General Motors an important consideration of the committee?

A. I did not get the first part of the question.

Q. To what extent was saving money for General Motors an important consideration of the committee?

A. That was one of the prime objectives of the committee, to save money, through co-ordination of the corporation's purchases in terms of how much volume, also the cost, hence also the selling price, which, however, is outlined in the extract you read from my program.

Other considerations entered into this question other than price. That was referred to in the letter Mr. Allen wrote to Mr. Bassett when they were commenting on the general scheme.

In other words, the price, the supply, the ability to deliver the goods when wanted in the particular quantity wanted, are factors in the automobile business that are equally important as price. I was first going to say more important, and I don't know but what they are. I think I should possibly say more important than price.

By Mr. Hurd:

Q. Did you consider that the Committee was successful [fol. 2546] in saving money?

A. I think it was successful in saving money.

Q. Mr. Sloan, I show you a document marked General Motors Exhibit 64 for identification. Is that a report that you made to the Executive Committee on or about its date?

A. Yes, I recall that.

Mr. Hurd: Now, if the Court please, I offer in evidence General Motors Exhibit 64.

The Court: It is admitted.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 64.)

Mr. Hurd: I would like to read the portion starting at the middle of the page:

"At the Purchasing Committee meeting a few days ago two very interesting exhibits came up as to what that particular Committee has accomplished and I thought as a matter of general information it might be well to submit them at this time. They are as follows:

"1. Contract with V. O. Smith Company."—

The Witness: That is supposed to be "A. O. Smith Company."

Mr. Hurd: (Continuing):

"This contract had something like one and a half to two years to run at the time we started to discuss the matter. It appeared from an analysis of the contract that the equities on both sides were well pre-[fol. 2547] served, but still we thought that in view of the large increase in our business we perhaps ought to see if something better could not be obtained through a modification of the contract at this time. The result of this is shown in the letter, copy of which is attached hereto, from which you will note that there is a total saving of something like \$500,000.00. Understand, this is simply from September 1, 1923, to July 1, 1924. It is unquestionably a fact that if it had not been for the activities of this Committee this matter would not have been taken up in this way with the resultant saving.

"2. Contract between the Corporation and the Electric Storage Battery Company of Philadelphia. This was taken up in a similar manner to the above and it being, of course, a cost plus contract, we were able to make a reduction in the amount of profit which mean, against our purchases for 1924, an estimated saving of \$125,000.00.

"The above two instances represent an estimated saving of \$625,000.00."

By Mr. Hurd:

Q. Were these the only savings the Committee made?

A. What was that question?

Q. Were these two illustrations the only savings that the Committee made?

A. Oh, no, practically all of the items in which the Committee made general contracts represented savings of one form or another. That was only submitted to the Committee for an illustration of the trend, rather than the complete report of all of the facts.

[fol. 2548] Q. Did Mr. Raskob participate in any of the activities of this general purchasing committee?



A. He had nothing to do with it whatsoever. Mr. Raskob was not concerned with operations.

Q. Did Mr. Irenee du Pont have anything to do with the activities of the Committee?

A. Nothing whatsoever.

Q. Did Mr. Lammot du Pont have anything to do with the activities of the Committee?

A. Nothing whatsoever.

Q. Or Mr. Pierre du Pont?

A. Mr. Pierre du Pont was president at this time, and I think, if I recollect correctly, and I might have to be corrected, but I think I invited him to the first meeting of the purchasing committee, of which I was Chairman, simply to give it a little atmosphere.

Q. Thereafter did he participate?

A. Took no part whatsoever.

Q. Did Mr. Brown participate in any of the activities?

A. I don't think he did at that time.

Q. Did any representative of the du Pont Company, so far as you know, except what you said about Pierre, have anything to do with the operations of this Committee?

A. The answer is no, except that Mr. Pratt was on the Committee, and Mr. Pratt, in the early days, had come from the du Pont Company.

Q. Had he ever been an official of the du Pont Company?

A. I cannot answer that question.

Q. About how long did you remain as Chairman?

A. Two years to two and a half years.

Q. And what happened at that point?

A. I passed out as Chairman, and Mr. Pratt became Chairman of the general purchasing committee, and I moved over or on to other activities.

[fol. 2549] Q. Who selected Mr. Pratt to succeed you?

A. I did.

Q. And what was the occasion for your selecting him and retiring from the position yourself?

A. Because it has been my practice in the operations of General Motors, when a thing is started, I participate in it, speaking in terms of the generalities in order to get it started, and functioning along the lines which I want it to function, and after that is accomplished, I pick out another executive and I take on other activities along similar lines,

things where I think I can use my time better to the interests of the corporation.

Q. Did you select Mr. Pratt because you considered that he might be friendly to the du Pont Company?

A. No. I considered him and selected him because he was one of the most able executives we ever had in General Motors Corporation.

Q. Mr. Sloan, I show you a document marked General Motors Exhibit No. 65 for identification, and ask you if that is your communication to the committee at the time of your retiring as its Chairman?

A. This appears to be the communication I sent to the members of the general purchasing committee on December 1, 1924. That indicates, Mr. Hurd, that I served just about two years.

Mr. Hurd: If the Court please, I offer in evidence General Motors Exhibit 65.

The Court: It is admitted.

(Said document so offered and received in evidence was marked General Motors Exhibit No. 65.)

[fol. 2550] By Mr. Hurd:

Q. Did Mr. Lynah remain on as secretary of the Committee during most of its activity, do you recall?

A. According to the best of my recollection, he did.

[fol. 2551] Q. Do you recall how long the Committee lasted, approximately?

A. It lasted until 1931.

Q. Was the committee abandoned at that point, or what became of it?

A. Well, as a formal committee, compared with its operations between 1922 and 1931, it was thought that the opportunities for general contracts had been exhausted.

The pattern was very well set; we were moving into a depression, and the activities of purchasing, from the standpoint of the corporation, were continued under the auspices of the purchasing section of the Divisions.

They were involved more in commodity purchases and things like that—subsequently, in steel purchases in recent years—than they were in the form of general contracts and miscellaneous items which was contemplated more con-

cretely at the time the Purchasing Committee was formed in 1922.

Q. To what extent had the Purchasing Committee standardized specifications?

A. To a very considerable extent.

Out of the developments of the General Purchasing Committee, the story of outstanding accomplishments was made in standardizing materials of all kinds that were subject to standardization.

Q. And that work had been fairly successful by the time the committee was terminated?

A. I would say so, yes.

Q. Now, Mr. Sloan, I would like to call to your attention certain of the charges in the amended complaint in this case.

I will refer first to paragraph 61 of the complaint:

[fol. 2552] "At the time du Pont Company first acquired a substantial stock interest in General Motors that company operated through somewhat autonomous operating divisions; each of which had its own purchasing departments which purchased for their own division with but limited supervision from the central office of General Motors. In order to secure more effective liaison among these divisional purchasing agents and to insure that du Pont Company wishes would be promptly communicated to them and fully complied with, a central purchasing committee for General Motors was established in or about 1922."

I would like to have you tell us to what extent, if any, the Purchasing Committee was formed for the purpose of insuring that the du Pont wishes would be communicated to the purchasing agents.

A. Well, what I had in mind when I developed and organized the General Purchasing Committee, as I testified here at length this morning, well, I had no thought of any such thing.

From my point of view the charge has no substance whatsoever. The purposes objectives of the General Purchasing Committee are clearly set forth in the record.

The minutes of the General Purchasing Committee over a period of nine or ten years indicate very clearly that the General Purchasing Committee was for volume capitalization of the corporation's activities to the interest of the stockholders and to promote the progress of the corporation and for no other reason whatsoever.

Q. To what extent, if any, was the committee formed to ensure that the du Pont wishes would be complied with by [fol. 2553] the purchasing agent?

A. I don't know anything about any du Pont wishes. I never contacted them in my operations in General Motors.

Q. Did you have in mind the formation of the committee to assist du Pont in getting any business whatsoever?

A. I have already stated the purposes of the development and organization of the committee, its objectives, and I can't add anything to what I have already said.

Q. Reading on in paragraph 61:

"The membership of this committee was made up of the purchasing agents of the Operating Divisions and the Committee met approximately monthly. The chairman of the Committee was at all times one of the high executives of General Motors who was either a former executive of du Pont Company or one who possessed the complete confidence of du Pont Company."

Were you ever an executive of the du Pont Company?

A. Never.

Q. You stated you did not know whether Mr. Pratt had or had not been?

A. I so stated.

Q. Who succeeded Mr. Pratt as the chairman of that committee?

A. Mr. C. E. Wilson ultimately became president of the corporation, now Secretary of Defense.

Q. Do you know whether Mr. Wilson was ever a high executive of the du Pont Company?

A. No. I know Mr. Wilson's history from the very beginning. He never was connected with the du Pont Company in any way, shape or manner.

Q. Do you know whether or not Mr. Wilson had the complete confidence of the du Pont Company at the time he was chairman of the committee?

A. You will have to ask the du Pont Company that question.

[fol. 2554] Q. Do you know whether or not Mr. Pratt had the complete confidence?

A. Same answer.

Q. Do you know whether or not you had the complete confidence?

A. Same answer, only more forcibly expressed.

Q. Reading the last sentence of this paragraph:

"This central purchasing committee was an effective instrumentality in carry out du Pont-General Motors intercompany sales arrangements hereinbefore and hereinafter described."

Did you ever hear of any understanding between General Motors and du Pont or their representatives that General Motors would buy its requirements of materials made by the du Pont Company from that company?

A. I never heard of any such understanding, and if there ever was such an understanding, which I never heard of, all I can say is it was never carried out under my administration.

Q. Did you consider that the purchasing committee was an effective instrumentality in getting business for the du Pont Company?

A. I don't think it was any more than it was proper for the du Pont Company to have business in view of their products, the price and the service they were prepared to render.

Q. Turning to the next paragraph of the complaint, paragraph 62:

"The original policy of requiring General Motors to purchase exclusively from du Pont the products du Pont was able to supply was subsequently modified so as to permit General Motors to purchase from 20 to [fols. 2555-2556] 25 per cent of its requirements of the products du Pont manufactured which General Motors used from companies other than du Pont, leaving du Pont with 75 to 80 per cent of the General Motors business. This modification was made because of the fear of both du Pont and General Motors that their business relations with other concerns might be jeop-



ardized if it became generally known that General Motors was required to buy exclusively from du Pont."

Did you know of any understanding that General Motors was required to buy exclusively from du Pont?

A. I never heard of any such understanding.

Q. Do you know of the Purchasing Committee adopting a resolution limiting the purchases from du Pont to not to exceed 75 or 80 per cent? Have you heard of such a resolution?

A. I recall, I think, such action on the part of the General Purchasing Committee.

Q. Was that action taken because of fear that business relations of du Pont and General Motors with other concerns would be jeopardized?

A. I am sure that was not a consideration. Whatever the Purchasing Committee did, so far as I know and believe, was based upon the business judgment of the members of the committee.

Q. Did the interests of the du Pont Company in obtaining business from General Motors Corporation enter in in any way to your creation of the committee or the administration of the committee under you?

A. Absolutely not.

Mr. Hurd: If the Court please, that is all I wish to cover with this witness at this time.

[fol. 2557]

Before Judge LaBuy,  
Wednesday, March 11, 1953,  
2:00 o'clock p.m.

Court met pursuant to adjournment.

Present:

Same as before.

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# SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1956

No. 3

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UNITED STATES OF AMERICA, APPELLANT,

vs.

E. I. DU PONT DE NEMOURS AND COMPANY, ET AL.

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APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE  
NORTHERN DISTRICT OF ILLINOIS

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VOL. III

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Mr. Hurd: Mr. Lynah, will you take the stand, please?

JAMES LYNAB, called as a witness on behalf of the Defendants, having been first duly sworn, testified as follows:

Direct examination.

By Mr. Hurd:

Q. Will you give us your full name please, Mr. Lynah?

A. James Lynah.

Q. What is your address?

A. Savannah, Georgia.

Q. Are you engaged in any business at the present time?

A. No, sir.

Q. Mr. Lynah, where did you receive your education?

A. In the public schools of Savannah; at Clemson College, South Carolina, and at Cornell University, Ithaca, New York.

Q. What degrees do you have?

A. A B. S. degree, Bachelor of Science degree from Clemson College, and an M. E. degree with an E. E. certificate from Cornell University.

Q. Where did you finish your education?

A. At Cornell University, 1905.

Q. What was your first employment after that?

A. With the du Pont Company in Wilmington, Delaware.

[fol. 2558] Q. How long were you with the du Pont Company?

A. From July 1, 1905, until December 31, 1919.

Q. What was your first work with the du Pont Company?

A. I was an electrical engineer in the black powder operating department.

Q. What location?

A. At Wilmington, Delaware.

Q. Will you trace briefly your positions with the du Pont Company from that date until the time you left the company?

A. Well, in the fall of 1905, as electrical engineer, I was sent to one of the black powder plants in southeastern Kansas to erect a power plant and install electrical apparatus. In the fall of 1906, I was brought back to Wilmington,

and made chief electrical engineer of the black powder operating department.

March 1st I went into the purchasing department as assistant district purchasing agent, in charge of purchasing of engineering, construction and chemical supplies. I was later made district purchasing agent on September 1, 1910. After the du Pont Company had acquired an interest in the Fabrikoid Company at Newburg, New York, a company engaged in the manufacture of imitation or artificial leather, I was made superintendent of that plant. I remained there until April 1, 1915, when I was made manager of one of the smokeless powder plants at Haskell, New Jersey.

On July 18th, in addition to those duties, I was made manager of a plant owned by the U. S. Ordnance Department at Tulleytown, Pennsylvania, which was operated by the du Pont Engineering Company for loading smokeless powder into silk bags for large caliber guns.

After the armistice, I went to the Wilmington office on detached service, assigned to the developmental department with the understanding that when negotiations were completed with a Belgian company for the American rights to manufacture rayon under the nitrocellulose process, I was to be put in charge of that enterprise.

During the year 1919 while negotiations were in progress, I was assigned to a study of the celluloid and pyralin business at Wilmington, New Jersey, and later in that year I was assigned to a study of the costs of paints in the Harrison plant at Philadelphia.

During the summer or fall of that year, the negotiations for the rights to produce artificial silk under the Belgian company's patents broke down, and negotiations with the French Viscose Company to manufacture rayon under their process was taken up.

Those negotiations developed rather slowly. In the meantime, I had acquired an interest in a domestic washing machine, and requested a leave of absence to take an active part in that business.

In the meantime, in October, 1919, I had requested a transfer to the General Motors Corporation because the



motor field at that time seemed to offer unusual opportunities. Nothing developed from that.

Later in the year, I requested a leave of absence of two years to engage in this washing machine activity. That leave of absence was granted for one year, and having had no vacation that year, I left the 1st of December on that leave.

Q. Mr. Lynah, were you ever an officer of the du Pont Company?

A. No, sir.

Q. Are you a stockholder in the du Pont Company today?

A. Sir?

Q. Are you a stockholder today in the du Pont Company?

A. No, sir.

[fol. 2561] Q. Mr. Lynah, I show you a document which has been marked General Motors Exhibit No. 139 for identification.

Is that your letter to Mr. Carpenter requesting a leave of absence?

A. It is, sir.

Mr. Hurd: I offer General Motors Exhibit No. 139 in evidence, if the Court please.

The Court: It is received.

(Said document, so offered and received in evidence; was marked General Motors Exhibit No. 139.)

Mr. Hurd: It is a letter dated October 30, 1919, from Mr. Lynah to Mr. W. S. Carpenter, Jr.:

"In view of my knowing of no suitable permanent position at this time available in the Company wherein my services can be advantageously utilized, and in view of my having an attractive offer to engage in a financial business in an executive position, this business in no wise being competitive with any of the interests of the du Pont Company or any of its subsidiaries, and in view of my being able to complete or put in shape for ready completion the Costs Accounting Studies in which I am now engaged, I respectfully apply for leave of absence for one year beginning January 1, 1920.

"If granted this leave it is my intention to take up my new employment February 1, 1920."